DOCUMENT RESUME

ED 059 479 AC 012 360

TITLE	Human Factors in Small Business.
INSTITUTION	Small Business Administration, Washington, D.C.
REPORT NO	Topic-10
PUB DATE	65
NOTE	94p.
AVAILABLE FROM	Superintendent of Documents, U.S. Government Printing Office, Washington, D. C. 20402 ($1.50); Small Business Administration, Washington, D. C. 20416 (on loan basis)
EDRS PRICE	MF-$0.65 HC-$3.29
DESCRIPTORS	*Administrative Personnel; Audiovisual Aids; Bibliographies; Business Administration; Case Studies (Education); Course Content; Distributive Education; Educational Programs; *Human Relations; Industry; Instructional Materials; Lecture; Lesson Plans; *Management Education; Manuals; Participant Characteristics; *Professional Continuing Education; *Teaching Guides; University Extension

ABSTRACT

As an approach to informing the small-business man about developing an awareness of the human factors in managing their business, this publication was prepared to aid in teaching one session of a basic course. The sections of the booklet are as follows: (1) The Lesson Plan--an outline of the material coved, which may be used as a teaching guide, presented in two columns: an outline of the presentation, and a step-by-step indication of procedure; (2) The Presentation--a subject presentation; (3) The Visual Aids--photographic copies of the set of visual aids that are available for this topic; (4) The Supply Department--materials that may be reproduced locally for distribution to course participants; (5) Cases in point--short actual small-business management cases that may be used to augment the presentation and to develop discussion, or as the basis for a second session; (6) The Incubator--ideas for stimulating further thought and discussion by the participants. A bibliography is provided, and field offices of the Small Business Administration are listed. (DB)

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HUMAN FACTORS IN SMALL BUSINESS

ADMINISTRATIVE MANAGEMENT COURSE PROGRAM

Topic 10

SMALL BUSINESS ADMINISTRATION

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HUMAN FACTORS IN SMALL BUSINESS

ADMINISTRATIVE MANAGEMENT COURSE PROGRAM

Topic ⑩

Small Business Administration

Washington, D.C. 20416 1965

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SMALL BUSINESS ADMINISTRATION

Eugene P. Foley, *Administrator*

PROCUREMENT AND MANAGEMENT ASSISTANCE

Irving Maness, *Deputy Administrator*
Gerald S. Fisher, *Assistant Deputy Administrator*

OFFICE OF MANAGEMENT DEVELOPMENT

Wendell O. Metcalf, *Director*

COURSES AND CONFERENCES DIVISION

George C. Willman, *Acting Chief*

FOREWORD

The Administrative Management Course Program was developed by the Small Business Administration in cooperation with educational institutions to bring modern management knowledge and techniques to the owners and managers of small businesses. Within 10 years nearly 900 universities, colleges, and local school systems have cosponsored almost 4,000 courses with this Agency. Over 110,000 owners and managers of small businesses have attended these courses. Distributive Education, working through the local school systems, has accounted for about one-third of these totals.

This is an outstanding demonstration of public spirit and service on the part of these hundreds of educational institutions. Yet, there remain many thousands of small-business owners and managers who have never had the opportunity to attend an administrative management course.

A committee on management education, consisting of representatives of the Small Business Administration and the Distributive Education Division of the American Vocational Association, was formed to study ways of meeting the small-business management needs of the small communities and very small businesses in poverty areas. The committee recommended that a series of subject presentations, including lesson plans, lectures, visual aids, case studies, and handout material, be developed to assist in the establishment of administrative management course programs in new locations. Further, it was felt that this material could substantially assist existing management programs, particularly by emphasizing the importance of continuing education for small-business owners and managers, and by assisting the busy instructor with his preparation.

SBA accepted the responsibility for developing a series of subject presentations in the field of administrative management for use by educators and businessmen who teach these management courses. This booklet is number ten in the series of seventeen. We believe that these presentations will be particularly useful to Distributive Education in the smaller community where library research facilities are limited and equipment for the production of visual aids is not readily available. It will also assist community planning groups in implementing the educational provisions of the Economic Opportunity Act of 1964.

The booklet was developed by the Courses and Conferences Division. I wish to express appreciation to the Richmond Public Schools System for granting leave of absence to John O. Perreault, who drafted the booklet. The final version was prepared by Bruce Goodpasture under the administrative direction of George C. Willman, Jr., Acting Chief of the Division, assisted by John W. Clark. Thomas O. Barnes was editorial assistant. Artwork and visuals were prepared by Michael J. Fontana of the Graphics and Design Branch, Office of Administrative Services.

Eugene P. Foley
Administrator

July 1965

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*A set of the visual aids is available from the nearest SBA regional office. These visuals are 8- by 10-inch colored transparencies for use on overhead projectors.

**Among the materials prepared as "handouts" to participants are several SBA free publications. Current information on the availability of suggested and new SBA publications may be obtained from the nearest SBA office.

A WORD ABOUT THIS SESSION

This publication, one of a series, is directed toward teaching management skills to the small-business man. When the term "management" is used, it refers to administrative management functions rather than to purely operational features of business. The complete set of subject presentations may be obtained on loan from the nearest Small Business Administration field office (listed on the inside back cover). Single booklets or complete sets may be purchased from the Superintendent of Documents, Washington, D. C., 20402.

This topic, Human Factors in Small Business, was prepared to aid in teaching one session of a basic course. It contains sufficient material for a 45- to 60-minute lecture which is usually followed by a discussion period. The management case on page 73 can be used to extend the session or to form the basis for a second session on the topic.

The lecture is designed to be presented to the businessman in nontechnical language. It is one approach to informing the course participants about developing an awareness of the human factors in managing their business. Instructors will probably prefer to modify or revise the lecture in order to use their personal background and experience in the subject area. They may also find it preferable to alter the topic to take account of the training or special needs of their class participants.

This topic may be handled by a personnel executive, a psychologist, or another whose training, experience, and interest qualify him. Guide for Part-Time Instructors, Distributive Education for Adults, a publication of the U. S. Office of Education, may prove useful to local instructors.

The various sections of the publication are separated by divider sheets of different colors. On the following page, these colors are given and the contents of the sections are briefly described.

Gray -- The Lesson Plan. An outline of the material covered which may be used as a teaching guide, or as a framework for developing an individualized presentation. The lesson plan contains two columns: the left-hand column is an outline of the presentation; the right is a step-by-step indication of procedure, including chalk-board suggestions, quotations, discussion points, and a keyed guide to the visual aids supplied.

Rust -- The Presentation. A carefully prepared subject presentation which may be used as written or modified to meet local needs and conditions. It may also be used as a source of information by a person preparing his own lecture.

Buff -- The Visual Aids. Photographic copies of the set of visual aids which are available for this topic. These visuals are 8- by 10-inch colored transparencies prepared for use on overhead projectors. The subject presentation and lesson plan are keyed to the visuals. A set of visuals for each subject in this series may be borrowed from the nearest SBA regional office.

Green -- The Supply Department. Materials which may be reproduced locally for distribution to course participants. Your nearest SBA office can furnish information on current availability of SBA free publications, including titles published subsequent to this volume.

Yellow -- Cases in Point. Short actual small-business management cases which may be used to augment the presentation and to develop discussion, or as the basis for a second session on the same topic.

Blue -- The Incubator. Ideas for stimulating further thought and discussion by the participants. This material may be reproduced locally for distribution to course participants. "Assignments" are designed to aid in retention of the subject matter of the session.

Note: See back cover for index reference to the divider sheets.

THE LESSON PLAN

[illegible]

Section

Good teaching depends on good planning. A session objective or target must be set. Then the points are selected that will enable one to keep hitting at the heart of that target.

The primary aim of the instructor is to first give the participant the things he MUST KNOW, then the things he SHOULD KNOW. When these two aims have been achieved, the topic can be embellished with the nice to know and helpful to know elements.

The following lesson plan is that "target." If it is used as a guide, it will enable the instructor to emphasize the major points while at the same time he stimulates the participants to grasp the subject.

STIMULATE GROUP BY SERVING AN INSTRUCTIONAL COCKTAIL

RECIPE

Use The Three B's (Bubbles)

- ○ ***Base*** instruction on problems at learners level.
- ○ ***Blend*** instruction with job experience.
- ○ ***Brighten*** instructions with variety of ***illustrations, investigations*** and group ***participation.***

FOUR BASIC STEPS OF INSTRUCTION

Instructing is like selling - -

Selling	**Instructing**
1. Approach customer Promptness Put at ease Awaken ***interest***	1. Prepare the group Start on schedule Put group at ease ***Awaken*** interest
2. Present merchandise or service Select merchandise to fit need Show one item at a time Demonstrate ***selling points***	2. Present information Gauge material to needs Present one point at a time ***Show, illustrate, question***
3. Have customer take part Get merchandise into customer's hands Let customer "try on" merchandise Answer questions and meet objections	3. Have group participate Get group to ***discuss*** Have members ***demonstrate*** or ***use*** ideas Answer questions and correct errors
4. Bring sale to close Help customers decide; ask: "which" "for whom" "when" Be sure merchandise fits need Summarize points of care and use Handle mechanics of sale Pave way for return visit	4. Bring meeting to a close Check on understanding; ask: "why" "how" "when" "what" "where" "who" Be sure group now can use information Summarize "take away" ideas Make a definite conclusion Pave way for next session

How To Deal With "Difficult Customers"

What To Do

THE "MOUTH"—wants to do all the talking.

Take the play away from him by asking others to comment on his remarks.

Deliberately turn to others and ask for their opinions. Avoid looking at him.

Tactfully ask him to give someone else a chance, or talk to him in private.

THE "ARGUER"—constantly tries to catch you up.

Keep cool. You can never "win" an argument. Always make him back it up. Ask for evidence.

Avoid getting personal.

Refer the question to the group and then to him.

THE "MOUSE"—is in every group.

Call him by name and ask him for an opinion. Ask him an easy question he is sure to answer well, then praise him. This person is worthy of your attention.

THE "SO-WHATER"—is disinterested.

Point up something he has done as a good example of the point being stressed. Ask direct questions affecting his work.

LESSON PLAN

TOPIC: HUMAN FACTORS IN SMALL BUSINESS

OBJECTIVES: To develop an understanding of the underlying human relations affecting work situations.

To emphasize the fact that the business owner must be a coordinator.

To stimulate thinking about some of the attitudes and skills necessary for the coordinating of employees and work.

To suggest ways in which the manager can reach a meeting of the minds with employees.

SESSION CONTENT	TIPS AND APPROACHES
I. INTRODUCTION	
A. Reaching an understanding	Visual No. 10-1. Discuss.
B. The art of practical human relations	Visual No. 10-2. Discuss.
II. PEOPLE ACT BECAUSE OF NEEDS	
A. Three basic needs	
1. Hunger 2. Security 3. Status	
B. Learning to satisfy needs	Stress satisfactions people expect from their work.
1. Babies cry to get food 2. Family fills need for security 3. Work satisfies many needs	
III. TREAT PEOPLE AS INDIVIDUALS	
A. People need recognition	The Hawthorne Story.

B. Help employees to gain status	Emphasize building status into the employee's job.
IV. DIFFERENT YET SIMILAR	
A. Everyone is different	Visual No. 10-3.
1. Physical differences 2. Mental differences 3. Personality differences	
B. Yet everyone is similar	
1. Similarities center about shared needs	
2. The give-and-take in a small store	Emphasize.
V. THE MANAGER AS COORDINATOR	
A. Pleasing the real boss	
1. Manager's best work is done before customers enter the store 2. Manager is most effective as a planner and a trainer	
B. Results from coordinating	Discuss.
VI. WHAT DO YOU NEED TO BE A COORDINATOR ?	
A. The people-centered attitude	
B. The manager's values	
C. The manager's understanding	Visual No. 10-4.
D. Knowledge	
E. Confidence and control	
F. Courage	

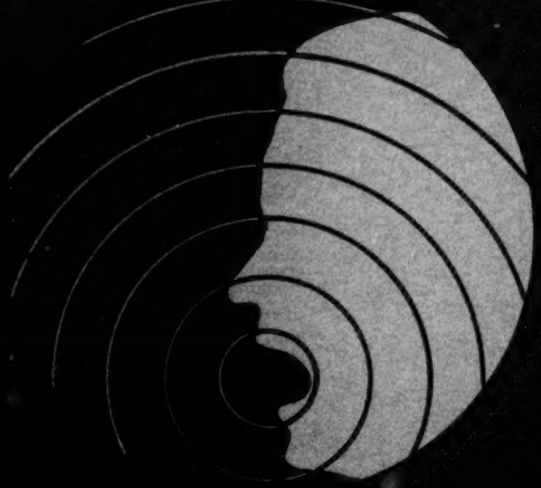
G. Ability to delegate	
H. Ability to praise or discipline	
I. Knowing when to apply the brakes	
VII. SETTING STANDARDS FOR EMPLOYEES	
A. Standards for serving customers	
1. Strive for excellence	Discuss.
2. Be alert to change	
B. Loyalty	
C. Give employees a cause	Visual No. 10-5.
1. Avoid "person-centered" loyalty	
2. Encourage employees to work for a cause-excellence in serving customers	
VIII. REACHING A MEETING OF THE MINDS	
A. Five attitudes	
1. Oriented toward people	
2. Regards problems in terms of human needs	
3. Accepts people as they are	
4. Considers him a leader	
5. Keeps an open mind	
B. People use symbols	Visual No. 10-6; Visual No. 10-7.
1. People cannot think in abstract terms	
2. Examples of symbols	
3. Symbols as danger signals	

C. Communications are difficult	
D. The unseen speaks loudest	
1. We cannot fool others	
2. Examples	
3. The iceberg	Visual No. 10-8.
E. Getting over the wall	Visual No. 10-9.
F. Four "musts" for communications	Visual No. 10-10.
1. Unity of command	Discuss.
2. Span of control	
3. Homogeneous assignment	
4. Delegation of authority	
G. A meeting of the minds in surgery	
IX. LOOKING AT TRAITS	
A. The questionnaire	Discuss. Pass out questionnaire.
B. Discussing the sections	Discuss.
1. Section I - Calm and Collected	
2. Section II - Egotism	
3. Section III - Prejudice	
4. Section IV - Patience	
5. Section V - Security	
6. Section VI - Favoritism	
X. SUMMARY	
A. Ability to lead people	Discuss.
B. Coordinator of employees and work	
1. A people-centered attitude	
2. Understanding	

3. Confidence and control
4. Courage
5. Ability to delegate
6. Ability to praise or discipline
7. Knowledge of when to apply the brakes

C. A meeting of the minds

1. Understand and respect symbols
2. What a person is speaks louder than his words
3. Four "musts" for communication
4. The appendectomy story
5. Self discipline



HUMAN FACTORS IN SMALL BUSINESS

INTRODUCTION

Perhaps you know some businessmen who could be highly successful except for one deficiency. They are not able to work with people. You may have gotten some of your best employees because of that deficiency. "We just couldn't get along so I quit," your new man said about his former employer.

The former employer was not entirely to blame, you found out as you trained the new employee to your way of doing business. The new man, perhaps, didn't always see eye-to-eye with you. Sometimes you may have felt like saying, "Don't argue with me. Just do it my way and do it now." But you didn't; you held your tongue.

And in time, you and the new man reached an understanding. He learned what was important to you, and you learned what was important to him. "He's got his weaknesses," you probably say, "but then who hasn't got a few faults?"

If that's the way you already think, then you will appreciate the points which will be emphasized in this session. On the other hand, if your inclination is to tell employees, "Don't bother me. Can't you see I'm busy?" perhaps some of the material will suggest ways for a better understanding of people. Or you may pick up some better ways for supervising the work of your employees.

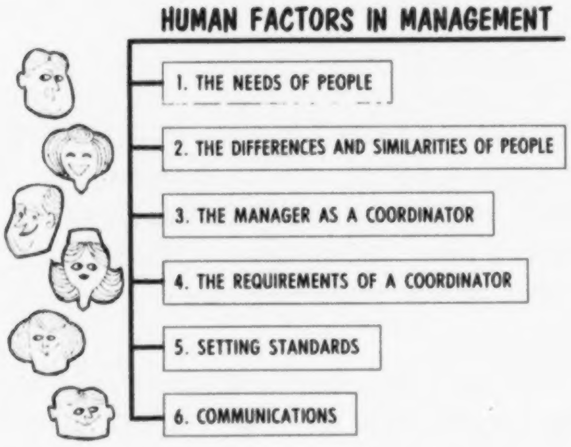
After all, a genuine understanding of people is vital to success in business. You have to understand the personalities, the needs, the joys, the hopes, and the disappointments of employees if you expect them to work with you. Furthermore, such an understanding must be coupled with the "urge to serve" or the desire to help people find suitable solutions to their problems.

Briefly, managing people is primarily the art of practical human relations. It is the ability to lead people, by means of your own patience, personality, fairness, and confidence, to the effective performance of the job that needs to be done.

People see the job clearly because you have helped them see it. They understand how to do the job because you have carefully laid out the tools and methods for getting the job done. They become efficient because you have created a work atmosphere of freedom, fairness, and confidence.

Creating such an atmosphere is a big order because of the nature of people. And this session will not give you all the answers. But you should take away with you some hints which you can use.

In discussing the human factors in management, we shall touch on:


HUMAN FACTORS IN MANAGEMENT
1. THE NEEDS OF PEOPLE
2. THE DIFFERENCES AND SIMILARITIES OF PEOPLE
3. THE MANAGER AS A COORDINATOR
4. THE REQUIREMENTS OF A COORDINATOR
5. SETTING STANDARDS
6. COMMUNICATIONS

Visual No. 10-1

(1) The needs of people,

(2) The differences and similarities of people,

(3) The manager as a coordinator,

(4) Some of the things he needs in order to be a coordinator,

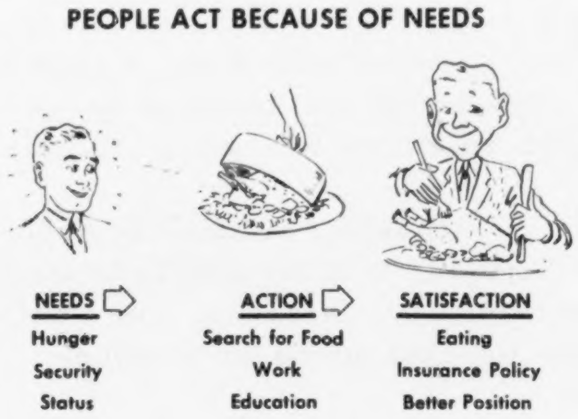
(5) Setting standards, and

(6) Communications.

In order to understand and work with the human factors in small-business management a person must know something about why people behave as they do.

PEOPLE ACT BECAUSE OF NEEDS

Even psychologists who make a career of studying human behavior often disagree about what makes people tick. And having lived several years yourself, you've learned that people are indeed complicated creatures. Therefore, in this session, we shall look at only one facet of what makes people act the way they do. In one word, the reason is: NEEDS. People behave in certain ways because of certain needs. Look at some needs which are basic to each of us.



Visual No. 10-2

When we were babies, we cried, screamed, and kicked until someone gave us the food we needed to satisfy our hunger. As we grew older, we learned that we could fill this need by telling our mothers that we were hungry. We also found that we needed other things such as security and status. We found our security in the things our parents did for us. Our need for status--or a sense of being somebody special--was satisfied by the place which our parents made for us in the family.

Later, as we attended school, and grew into adulthood, we learned various ways to satisfy our needs such as, the need for love and approval, the need for belonging, the need for achievement, the need for independence, and the need for security. We found, for example, that social life and home and family life satisfied our need for belonging and our need for love and approval. We discovered that hobbies, to cite another example, helped to fill our need for achievement. Sometimes, they helped with our need for belonging, especially when the hobby was a game which we played with other people.

We also learned that work helped to satisfy various needs. First, steady work took care of our need for physical security by providing money which we could use to purchase food, clothing, shelter, and so on.

Furthermore, work filled additional needs. Let's bring it close to home and look for a few moments at some of the satisfactions you probably expected to get from work when you were employed by a company or a small-business owner. As we've already said, you wanted steady work. You also wanted: the opportunity to advance--to get ahead; fair pay for a fair day's work; the opportunity to learn new skills; and knowledge about the company's plans and changes--especially when they affected your job.

Some other satisfactions you looked for were: praise for a job which you had done well; a fair boss; clear instructions; pleasant associations with fellow workers; good working conditions; a chance to demonstrate what you could do--to show your initiative; and the opportunity to "beef"--to complain when you felt that it was necessary.

TREAT PEOPLE AS INDIVIDUALS

When you think about such satisfactions, perhaps you may begin to see employees and their work in a different light. Of course, employees want money for their work. They need it to satisfy their physical needs such as hunger.

However, as we have just pointed out, employees also want satisfaction for the various needs which arise out of the spirit of man--needs such as recognition and praise when they do a job well. In a few words, we might say that each employee wants to be treated as an individual. Moreover, he expects it.

The classic example of what can happen when people are treated as individuals is the Hawthorne experiment. You may have heard of it.

Back in the 1920's, 2,000 workers at the Hawthorne Plant of the Western Electric Company were asked how they felt about their jobs, their bosses, and the company. The interviewers used checklists that carefully itemized every feature of the work situation. The lists included the light, the materials used, the handling of equipment, rest periods, product knowledge, and so on. The workers, however, wanted to talk about other things. Surprisingly, the interviews, themselves, seemed to improve production.

However, the results were so inconclusive that the research teams decided to try some experiments. They increased and decreased lighting, temperature, and rest periods. They changed room colors. They isolated groups from each other.

No matter what the change, production improved. The experts were stumped.

Finally, they asked the workers, "What is happening?"

"Oh, don't you know?" the workers replied. "We're something special."

They didn't know why, but they knew they had been given special distinction from all other employees. They were now something more than cogs in a machine. These workers, through their "special" treatment had come to feel differently about themselves and about their work. They recognized that their jobs were important, and so did their co-workers. They had achieved that something special which we may call "status."

"Status" is the importance or prestige placed upon a work position by management and the workers themselves.

Help Employees to Gain Status

As a manager, you can help your employees to gain status--to feel that they are something special.

There are many ways in which you might develop a worker's opinion of himself and his job. You can develop it in the way you:

- Select him
- Train him
- Reprove him
- Praise him
- Show personal interest in him
- Give him orders
- Handle his grievances
- Treat him within the group
- Introduce changes to him
- Evaluate his work and his future

The successful manager treats his people in such a way that their adult human needs--importance, recognition, status, and belonging--are met. He knows he strengthens his work force as he builds people and improves their status.

Whether you are dealing with customers or workers, profit will come from building status in their position . . . not yours.

You cannot expect people to give their best, if you remind them only of their worst.

However, before you go out and try to help employees to fill their need for status, let's look at another important fact about people. It is so important that you may have already done some thinking about it.

DIFFERENT YET SIMILAR

The fact is simply this: everyone is different from others yet he is also similar to them. Let's see, then, how individuals are different and how they are similar to each other.

Everyone Is Different

One of the difficulties in managing people is the fact that we are all different from one another. Everyday conversations point to such differences. How often have you heard remarks like these?

"He's as slow as molasses in January."

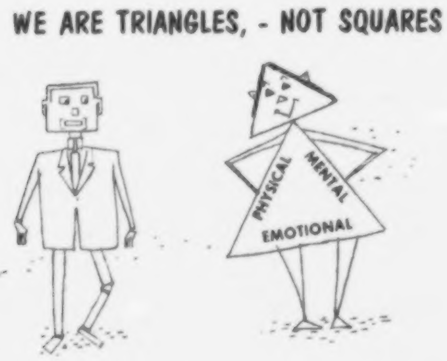
"He's stubborn as a mule."

"She's dumb as an ox."

"He's quick as a cat."

"She can make a cactus bloom like a rose."

You can account for the individual differences by examining yourself and your employees. Do you ever feel that you are surrounded by a bunch of "squares?" And do you sometimes feel that perhaps you're on the square side also? Actually, the fellow who started using geometrical terms to describe people wasn't too far afield.


WE ARE TRIANGLES, - NOT SQUARES
PHYSICAL
MENTAL
EMOTIONAL

Visual No. 10-3

We may not be a bunch of "squares," but we are triangles. Look at it this way.

People differ in many ways depending on the talents they were born with and the things which they have learned. Most of the inborn differences among people are physical characteristics such as height, complexion, muscular control, vitality, and endurance. Yet individual differences in these physical characteristics are seldom as great as we might think. Usually, they are not more than 25 percent from the greatest to the smallest. For example, most men are between 5 and 6 feet tall, a difference of only 20 percent.

However, in mental ability the differences between people are much greater than 20 or 25 percent. Intelligence, memory, and learning speed often vary as much as 300 percent from one person to another. These mental differences are usually called aptitudes.

"He has a real aptitude for mechanics," you've probably said.

"School work is a snap for her."

"He has a knack with figures and formulas."

"That manager never forgets a name or face."

And the biggest difference of all is in personality. When you look at the elements which make up personality--elements such as interests, hopes, ability to meet and deal with people, and initiative--the differences between people almost escape comparison.

Some persons are so lazy that you are certain that they have no ambition. Other persons are so ambitious that they work themselves to exhaustion and die early. The combination of physical, mental, and personality characteristics of each person identifies him as an individual. In other words, the "I's" have it.

The important aspect of this fact is that each of us has his own individuality (or self-image), and he wants it recognized by people of importance to him.

As a group member, everyone supposedly likes to be treated the same. But if we handle men as group members only, we can expect no more from any individual than from the average of the group.

Yet Everyone Is Similar

In spite of our individual differences, most normal people have certain basic similarities. These center around our commonly shared needs, such as:

The need for Security,

The need for Individual "Status,"

The need for a Sense of "Belonging,"

The need to Progress, and

The need for New Experience.

The differences and similarities of people provide an important key in managing them at work. Understanding the ways in which people act differently and in the ways they may be expected to act alike can be helpful in encouraging them to work together. In a small store or service shop the free give-and-take between manager and employee means that you have a good opportunity to notice the differences and to encourage each employee to use his strong points in building up the firm.

THE MANAGER AS COORDINATOR

One word can describe the work of the owner-manager of a small business--coordinator. He must be a coordinator if he is to help his employees in their work of pleasing the real boss--the customer.

The manager's purpose, from a human relations point of view, is to be of assistance to the worker in the employee's effort to serve the customer.

In helping to meet the customer's needs, the manager functions best before customers come into the store. This is another way of saying that the business owner is at his best when he directs, encourages, trains, and helps the worker. The manager is most effective as a planner and a trainer rather than as an overseer.

Results from Coordinating

Some of the results which you can expect from the coordinating approach to the human factors in small-business management are:

- Through careful training each employee knows his part in properly serving the customer.

- Through training, each employee knows when to turn to the manager for advice, help, or a new set of instructions.

- Because of training, the employee on the job knows what to do and the customer does not need to see the manager to fill his needs.

- Because of planning and preparation, the salesperson is secure in the knowledge that he can handle nearly every situation a customer may present.

- Because of planning and preparation, the manager seldom needs to make his presence felt. He can spend more time on planning and preparing for smooth, efficient operations.

One indicator of the effectiveness of a manager is the number of emergencies that arise. In some stores, every job is a "crisis." The manager spends his time running "from fire to fire." In other stores, the work is planned, and the workers are so well trained that emergencies are the exception rather than the rule.

WHAT DO YOU NEED TO BE A COORDINATOR?

The job of coordinating the work of employees is not easy. How well it is done depends, more than we might want to admit, on the kind of individual the manager is.

As a coordinator of the efforts of people, you draw two kinds of pay. One is money. The other is the satisfaction which comes when you use your enthusiasm, specialized abilities, knowledge, experience, and judgment to help your employees to grow.

Business owners who are effective leaders have learned to meet each man as an individual. They develop a man-to-man level of understanding. In a small store, you know the ground rules, the store policies, and the work standards which employees must meet because you set them. And when you know each worker as an individual, you know what to expect from them when there is a real rush of work or an unusual situation.

The effective manager makes it his business to know the special abilities, likes, and dislikes of each worker. He also knows when each worker makes a special contribution in getting the work out on time. More than that, he studies the ability of his employees in getting along with various kinds of customers.

The People-Centered Attitude

It is not enough to know that each person wants and needs to be treated as a unique individual. We must do it.

"John, hurry up! Help that customer who is struggling through the door with her packages."

Like this one, many managers do all they can to help the customer or to save an expensive piece of equipment. But this same manager will say, "Don't tell me your problems, John, I have enough of my own. Just get your work done and keep the customers happy."

To succeed in managing people it is equally important to keep John happy.

Psychologists tell us that the Golden Rule still applies. However, most of us interpret the Golden Rule with an "I" point of view rather than with a "you" point of view. One of the ancient Greeks, Aristotle, expressed it this way: "We should behave to people as we wish people to behave to us."

In thinking about being people-centered, keep in mind that the way the manager treats his employees sets the pattern for their behavior. If he snarls at them, they, in turn, will snarl at him and at customers. If he smiles at them, they are likely to return the smile and be inclined to be pleasant to customers.

With these facts in mind, we can look at another dimension of the manager, his values.

The Manager's Values

What you and I consider important in life colors our every response and act. As a manager, your values predict the way in which you will react to situations and problems.

For example,

A waitress pops in the door and shouts, "Jack just tripped with a tray of soup!"

Manager "A" asks, "Was he or any customers hurt?"

Manager "B" asks, "Was it spilled on the new rug?"

Manager "C" snaps, "I warned him to slow down last week!"

VALUES?

Manager "A" is first concerned with people.

Manager "B" is first concerned with things.

Manager "C" is first concerned that he himself is right.

The values of managers "B" and "C" will get in the way of everything they try to do. Employees will suspect the motives of these two managers. This is true regardless of how unselfish the specific thing or idea they may try to promote with their people. Lack of real interest in their co-workers will keep these managers from understanding the worker's point of view, his needs, his values, his problems, and his symbols.

The Manager's Understanding

It takes time for a manager to develop understanding. Some people call it, "The rules of the road that have not been written." Social scientists call it 'Reading the social signs and symbols."

A manager with understanding knows whom to tease about his new hat and to whom to pay a formal compliment. He knows what is important to the work group and what signals (or symbols) indicate its importance.

CHARACTERISTICS OF THE UNDERSTANDING MANAGER

- KNOWLEDGE
- CONFIDENCE AND CONTROL
- COURAGE
- ABILITY TO DELEGATE
- ABILITY TO PRAISE OR DISCIPLINE
- KNOWING WHEN TO APPLY THE BRAKE

Visual No. 10-4

Unfortunately, most people cannot get such an understanding and alertness to signals or symbols from books. And often, they can't get it in courses or training programs alone. Understanding is what the "people-centered" manager learns from long experience and from having listened with his heart as well as his ears.

Now let's look at some other characteristics which a manager needs in addition to understanding.

Knowledge

First, you need knowledge. You have to know your merchandise and the other elements which make for successful operation in your line of business. As has been said, you also need knowledge of your employees.

Moreover, the small-business owner has to know how to be a leader. Owning a small business by itself does not "qualify" a man for leadership because leadership cannot be bought. The effective coordinator usually has good morale in his store because good morale is the child of good leadership.

Confidence and Control

Before he can manage others, a manager must be able to control himself. Such control requires self-confidence. Real self-confidence comes from knowing yourself--your abilities and your limitations. Synthetic self-confidence will not do. Employees soon learn to tell whether the boss is self-confident or trying to bluff.

In this connection the good manager tries to leave his own emotional problems at home. Only his family knows of his temperamental upsets.

Courage

The manager also needs courage. He needs it for making decisions and for taking risks. He also needs it for the unpleasant tasks, such as correcting people when they make mistakes.

Ability To Delegate

The coordinator must have the ability to delegate. The manager should not do anything that can be done sufficiently well by one of his employees. However, he cannot delegate his own responsibility for seeing that the job gets done well.

In delegating to others, keep in mind that no man has real power, poise, or good personality unless he has a genuine interest in people. Such an interest encourages people to do their best.

It is a good idea to remember also that people work differently. You may do a task a certain way while one of your employees does it in a slightly different manner. Yet both of you achieve the same result. Therefore, encourage people to use their own style when it does not interfere with the result. Decide how much tolerance you can allow for individual differences--90 percent my way and 10 percent his, 85 percent my way and 15 percent his, and so on.

Ability To Praise or Discipline

The allowance which a manager makes for individual style determines, to a great extent, the amount of praise and discipline the manager will have to do. In correcting employees, able men take great pains to prevent others from being humiliated. A good rule is: Discipline in private; praise in public.

Knowing When To Apply the Brakes

In order to maintain his own efficiency, the coordinator must know when to put the brakes on himself. When you wear many hats as the owner-manager of a small firm does, it is easy to race your motor. Hurry is wearing on the body and nerves. No matter how great the pressure may be, it is a good idea, once in a while, to apply the brakes. Only when the body is in splendid trim will the mind function at its highest efficiency. And even more important, it is hard to treat employees as individuals when you don't feel well.

SETTING STANDARDS FOR EMPLOYEES

If the main activity of a small business were social, the manager and his employees probably would get along fine. You would have no trouble treating them as individuals, and they would have no problem in pleasing you, their leader. You would meet, eat, drink, and have a wonderful time.

Of course, that's ridiculous. We're only throwing it out in order to make a very important point. The main purpose in business is to make money. And the small retail or service firm makes money by satisfying the needs of customers.

This fact means that your business has to have certain standards--to sell quality merchandise, to serve customers in a certain way so they will want to return to your store. Or in a service business, to repair radio, television sets, and so on in a manner which will cause the customer to dial your telephone the next time he needs help.

Such standards might be summed up in the word "excellence." You want your firm to do its best. Your job as owner-manager is to break your standards down so that each employee can understand them and help to achieve them.

Set appropriate goals for each person and each phase of your operation. The goals should be consistent with the policies of your organization. They should also be suitable to the needs, interests, and abilities of the employees to whom they are to be assigned.

Recognize that quality performance is achieved only by workers who are competent in the skills which the job requires and who are thoroughly oriented to the firm's policies and practices. Such competence and orientation can be achieved by training that is continuing, stimulating, and challenging. When the manager or worker stops developing his skills, he and the organization begin to fall back. On the other hand, the worker or store that tries to keep abreast of the times frequently gets far enough ahead to win a reputation for excellence.

In giving quality service, keep in mind that it is rarely provided by people who are content with "the same old way." Therefore, it is important that you spend a considerable portion of your time observing what is going on in your own place of business, in your community, and in your industry. Look especially at other firms who have a reputation for excellence. In this manner, you can find ideas for improving your service to customers.

Keep in mind that excellence has to come from within. If you hope to inspire your employee to excellence, you have to believe in excellence and back it up. Sometimes such a commitment might mean making less profit, in the short run, than could be made if you gave less service or sold a shoddy product.

Loyalty

Perhaps this is a good place to talk briefly about loyalty. Some owner-managers feel that their employees should be loyal to them. Now, everyone wants and needs friends and friendship. In addition, everyone wants to be recognized as an important and unique individual. If your people do not get these satisfactions from their work, they will look elsewhere for them.

In thinking about loyalty, keep in mind that it cannot be won overnight. There is no such thing as "instant loyalty." It can be won only in the give-and-take of life as you build personal contacts and employees come to know and trust you.

Give Employees a Cause

Even though loyalty has a personal basis, it is something more than a "personal" thing. Although we have emphasized personal give-and-take as essential to solid management, some business owners work only to produce a personal following among their employees. They mistake loyalty to themselves with loyalty to the store. Often such "person-centered loyalty" has to be bought and held by giving people personal privileges. When you have to cut out special privileges, person-centered loyalty evaporates like fog under the morning sun.

A better kind of loyalty is loyalty to the firm. Encourage your employees to recognize that they are part of an organization worthy of their time and effort. A superior kind of loyalty might be loyalty to excellence--to excellence in serving customers, to excellence in repairing and servicing appliances and other equipment.

People will make a special effort for three kinds of reasons. Notice in the illustration that a cause is the strongest inspiration of special effort.

PEOPLE MAKE SPECIAL EFFORT FOR—
— Money
— A Leader
— A Cause

Visual No. 10-5

REACHING A MEETING OF MINDS

Success in managing people centers around reaching a meeting of the minds. What we have been saying so far in this session can be boiled down to a fact which you already know: Life is a compromise. It is the give and take which comes from a meeting of the minds.

Five Attitudes

The effective manager is able to reach a meeting of the minds with the people he directs because he can put himself in their shoes. In addition, the manager who is successful in reaching a meeting of the minds with his employees is a good communicator. He has developed the knack of communicating with his people.

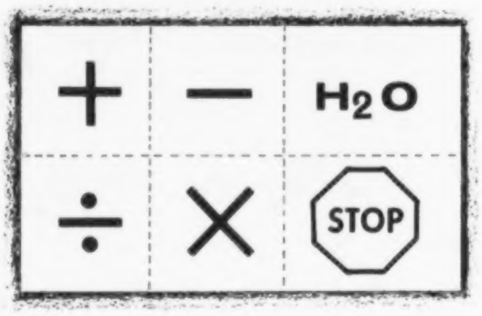
People Use Symbols

Some managers have whole-hearted cooperation from their work force and get the job done without a great deal of fuss and bother. Others never seem to acquire the knack of getting people to "pull together." There may be a variety of differences that can account for one man's success and another's failure in the art of managing people. However, a great part of the difference can be attributed to the supervisor's alertness to the symbols to which people react.

Why do people react to symbols? One reason is that most people cannot think in abstract terms. Most of us must reduce the abstract into concrete objects--or into symbols--which represent those objects. Symbols make possible communications between individuals and groups.

Words--a primary tool of communications--are made up of symbols. Originally word-symbols were pictures of the things being recorded or communicated. Western languages have reduced the original picture-symbols to sound-symbols--to our alphabetical letters.

"SOME COMMON SYMBOLS"



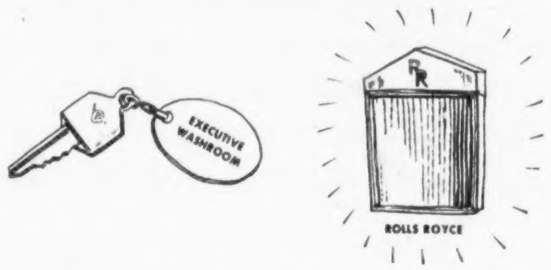
Visual No. 10-6

Almost every branch of human knowledge is based on similar symbols which represent ideas, actions, or axioms. Mathematics, for example, has its functional signs: +, -, x, ÷. Chemistry uses symbolic formulae: H_2O, H_2SO_4.

Our daily lives are surrounded by symbols. In our worship we have the cross and the Star of David. In our national life the flag is the symbol of our unity.

People are so used to thinking in terms of symbols that they often attach symbolic meaning to things that are not specifically symbolic in nature. A doorkey provides an example. Ordinarily, it is just a piece of metal which we use for locking or unlocking a door. But what about the key to the executive washroom? It is a commonplace piece of metal that has been turned into a symbol by aspiring executives.

PEOPLE THINK IN TERMS OF SYMBOLS



Visual No. 10-7

"He's really on his way up," one friend says about another. "The company made him a vice president and gave him a key to the executive washroom."

Another example of an ordinary object's becoming a symbol is the office desk. Girls who work in the typing pool are provided with only a typewriter stand. Their supervisor has a desk--a small one, perhaps--but nevertheless a desk. His boss' desk may be of average size. The higher one goes in the company, the larger the desk. And the top man may sit behind a huge polished desk. Everyone in the organization--from the messenger boy to the executive vice president--uses the desk--an ordinary piece of furniture--as a symbol of importance and rank.

Dress provides still another example of symbols in use. When you go into a restaurant, how do you tell the hostess from the waitresses? By their clothes, of course. The hostess wears a smart street dress while the waitresses are regimented into uniforms.

And look at caps. A nurse's cap, for instance, is indicative of service. A surgeon's symbolizes competence. A policeman's cap conveys the idea of authority.

In Polynesian society a frangipani flower behind a girl's left ear means she is eligible for marriage. In our western world a ring around the third finger indicates that she is already married.

Because symbols play such an important part in our daily lives, it is small wonder that people have incorporated them into their work world. Keep in mind that, although such symbols in themselves may seem trifling or even ridiculous, they represent ideas of security, well-being, and status to the people who use them. Such symbols should not be trifled with.

The wise manager recognizes this fact and strives to learn to read and use the symbols that are as much a part of the operation of his business as are the building and the furnishings.

Perhaps you are thinking already of some of the symbolic things which appear in many small businesses. For instance, the boss lets the driver take the delivery truck home at night--a privilege which other employees sometimes envy because it symbolizes, in their minds, the fact that the boss trusts the driver.

Notice that symbols are not always things. Sometimes actions or the lack of action take on a symbolic significance. Industrial psychologists claim that "signs of bad weather" begin to appear in an organization long before a real grievance situation comes to light. Some of these symbolic weather signs are:

Sullenness,

Drop in production,

Excessive absence,

Unexplained tardiness,

Waste of time or materials,

Multiple annoyances,

Lack of teamwork, and

Multiple personality disputes.

When you spot one of them in a smoothly operating work group, you will probably have real trouble on your hands unless you check to find the cause of the danger symbol.

As a manager, you should understand these symbols. Recognize that they involve emotional as well as rational--or sometimes irrational factors. Keep in mind that you cannot remove a symbol without destroying an idea--unless you replace the removed symbol with one that the worker can as readily accept. And if you have to change a symbol, do it very slowly.

Communications Are Difficult

Effective communication is difficult to achieve even in a small firm where the owner-manager talks face-to-face with his handful of employees. Effective communications becomes an even greater problem when a small business begins to grow. What was formerly handled by the owner-manager himself must now be entrusted to an intermediate. What formerly involved persons sharing a job becomes a department--such as piece goods or sports wear. The very change in wording or titles begins a new cycle of word meanings which can be harmful.

Each splitting of responsibility and work increases the owner-manager's problems in communicating. Often waste and lost sales result from ineffective communications.

No matter how big your firm may become, the problem of achieving effective communications is always there to plague you. You must work constantly and diligently to keep ahead of it. In fact, it is the core of your work if you expect to direct your people successfully.

The Unseen Speaks Loudest

One business owner has a framed motto over his desk which reads: "I can't hear what you say because what you are is shouting at me."

Although you probably could write a book about this motto, let's look at what it implies. For one thing, the motto implies that "People can read you and me like a book."

Our wives are experts at doing it.

You've come home and told her, "I've had a rough day, and I'm going to sit right here by this air conditioner and take it easy."

"Good idea," she says.

Then a neighbor drops in. He announces, "I've got two tickets to the ball game."

You jump up and say, "What are we waiting for? Let's go."

Your "rough day routine" never fooled your wife for a minute. When the neighbor said he had tickets, she knew how you'd react.

And what about some of the bosses you have worked for? After awhile, you learned how to read them like a book. Perhaps you've had a boss who, for example, proclaimed an open door policy.

"Come in to see me anytime," he said. "If you've got problems, I want to hear about them. Remember that my door is always open."

So you went to see him when you had a problem. After checking through a receptionist and two secretaries, you got to the boss' office. The door was closed.

When you went inside and started telling him your troubles, the boss seemed preoccupied. As you talked, he became restless and impatient. And before you were half way through, he dismissed you with, "I'll look into it. Awfully good of you to come in. That's exactly why my door's always open."

Of course, you never heard from him. After that visit, you didn't expect to.

Then how about the boss who says, "We're just one happy family in this store." Two hours later, you overheard him--and who couldn't, he shouted--bawling out the high school girl who worked on Saturdays. "What a stupid thing to do," was one of the milder statements in the tongue-lashing which he gave her.

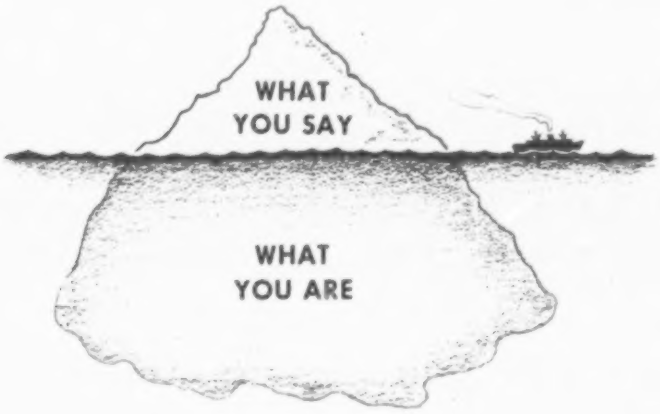
The point in this example is: A person cannot communicate something that is not in him. That boss was a tyrant, and all the words he uttered about "a happy family" could not change his nature. Nor could those words communicate the image of an employer who had deep concern for the welfare of his employees.

Now, look at one final aspect of the motto, "I can't hear what you say because what you are is shouting at me." Perhaps you hunt, fish, or play golf with a friend of long standing. Let's say that you and he hunt together.

You enjoy hunting with him because you know what he is going to do next. Long association has taught both of you what to expect from the other. You automatically fall back, for example, and let him get first shot because you had the first shot at the last covey. And he does the same for you.

Here is a case of the unseen speaking loudest and most effectively. It speaks effectively because you and your friend have reached a meeting of the minds and spirit. You have found a common denominator between two different outlooks and attitudes.

Notice that this sort of communion involves everything that one is, rather than only what he says. Picture an iceberg to illustrate this idea. As you know, the part of an iceberg which juts above the ocean surface is only a fraction of the total iceberg. That which lies below the surface is larger, and it holds a greater potential danger to the unwary navigator.



Visual No. 10-8

In the field of communications what one says might be compared with the cap of the iceberg; what one is can be likened to the deep mass which lies hidden from view, but which is nevertheless the real essence of the person or organization.

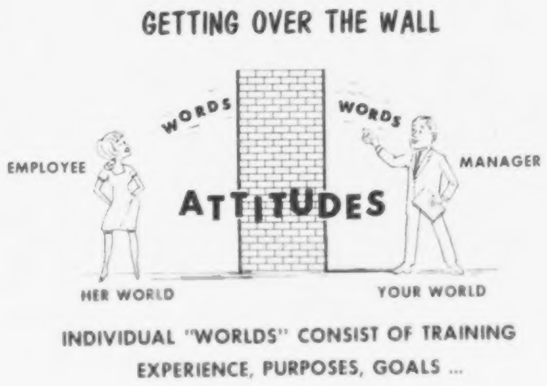
True understanding of the "seen" requires a realization of existence and nature of the "unseen."

The "unseen" in a person or business firm--that is, a person's philosophy of life, beliefs, experience, and ethical outlook--have a profound effect on his ways of thinking and emotional reaction. This in turn is reflected in an individual's outlook or store's policy about people and things. When we attempt to interpret any of these outlooks, attitudes, or policies to another human being we are striving to "communicate."

If what we say, act, or do in such an effort rings with sincerity or integrity, then it is representative of our "wholeness." Even the most skillful public relations man cannot "communicate" an integrity that is not there. In this instance, the basic philosophical principle is certainly self-evident: "Nobody can give what he does not have."

Getting Over the Wall

A second element in communications is understanding. Yet understanding is often blocked by a wall which people throw up between each other. A national survey of business executives lists persuasiveness as one of the five "active" qualities of leadership. The survey report, however, quickly indicated that such persuasiveness is only possible when it is based on an understanding of the condition, needs, and attitudes of the person "persuaded."



Visual No. 10-9

Individual differences throw up a wall which sometimes makes two-way communications difficult even to people who speak the same language. Yet the removal or penetration of such a wall enables people of different tongues or no tongue at all to truly "communicate" or come to a meeting of the minds.

Attitude is one force that can penetrate or remove this wall. As "difference" keeps men apart, the need of sharing each other's world brings them together.

Four "Musts" for Communications

The structure of an organization affects the facility with which true communication passes up and down the chain of command. Many large organizations are so complicated structurally that communication channels get tangled. Many misunderstandings arise. A small firm has the advantage in this respect. The boss-worker relationship is closer and more immediate in a small store. The employee, for example, can ask questions when he does not understand your instructions.

Four classic management principles are essential for true communication.

④ "MUSTS" FOR COMMUNICATION

1. UNITY OF COMMAND
2. SPAN OF CONTROL
3. HOMOGENEOUS ASSIGNMENT
4. DELEGATION OF AUTHORITY

Visual No. 10-10

1. Unity of Command provides that each person at any level of an organization has one and only one boss. This provision eliminates much friction and confusion. Each worker knows exactly to whom he is responsible, and where his action originates. You see frequent violation of this principle, especially in Mom and Pop stores and small partnerships.

2. Span of Control provides that no supervisor be made directly responsible for more workers than he can handle under normal conditions. This makes for easy access to the supervisor when the needs for direct communications arise. This principle is violated when, for example, a manager is out drumming up new accounts to such an extent that he has no time to manage the internal operations.

3. Homogeneous Assignment provides that the jobs or tasks of each worker in a given department be specific, clear cut, and of a similar nature. This procedure provides for clear-cut orders, and for group as well as individual orientation to changes in policy, operating procedure, and so on. It is in such areas that much misunderstanding and misconception arise. Homogeneous assignment also provides that the jobs of workers do not overlap. This is done by assigning each function necessary to the operation to one specific person. This not only provides for operational economy but, again, "clears the lines" for intelligible communications in both directions.

4. Delegation of Authority ties in with span of control. When a department becomes so large that one man cannot exercise reasonable control, or when distances become so great that workers and manager have little contact, assistant managers or group leaders should be appointed. However, much misunderstanding develops when such individuals are given responsibility without a parallel degree of authority and status. In many cases, in small business especially, the workers cannot understand such an individual's status because it is kept semi-official, or may change from day to day or even hour to hour. Small-business managers often leave so-and-so in charge but don't vest him with authority to act.

In using these four principles, keep in mind that communications is a two-way process. Many business owners think they are communicating with their people when they make regular policy statements and operational announcements over a one directional loud-speaker or public-address system. It is hard for people to "share" an idea with a loud-speaker.

A telephone is a little better. But the best way to share an idea is in face-to-face contact. With it, we communicate by the "lifted eyebrow," the quiet smile, or the wave of a hand, as well as with the spoken word. The manager who removes the "wall of partition" will find many new channels of two-way communication opening.

Routine follow-up with individual members of the work force, group meetings, suggestion programs, work teams ..... all provide an opportunity for people to share; and it is true that people care when they have an honest opportunity to share.

We have seen that two-way communication and effective leadership are complements of each other. Communication is the golden thread. It runs through every operation and every contact between an organization and the public it strives to serve, and between every manager and the people whose work he directs. The total effort is to achieve excellence in understanding and service.

A Meeting of the Minds in Surgery

A patient is wheeled into the operating room. Hours of work and preparation have gone into making everything ready for this crucial moment. Yet, only a few terse words announce this event on the schedule of the day:

MR. JONES
APPENDECTOMY - OPERATING ROOM C
DR. H. A. SHAW - 9:45 A. M.

The patient is put to sleep, and the anethetist nods to signal that the patient is ready for surgery. The surgeon and the nurses are discussing the weather.

The surgeon extends a hand. An assistant slaps a scalpel into it. There is a quick little spurt of bleeding ... Clamps and absorbents are applied by a second assistant, and the operation proceeds.

The conversation turns to the staff picnic of last weekend. The operation is completed. Forty-five minutes after entering the operating room, the patient is resting in the recovery room.

Throughout the operation no verbal "orders" have been given by the person in charge--by the surgeon. Yet as he coordinated the operation--the work--he communicated with his assistants. And they communicated with him. The amazing feature of that communication was its silence.

No one said a word about the work.

The reason the members of the operating team could communicate without speaking was this--a meeting of the minds existed among them.

LOOKING AT TRAITS

At this point, we want to look at the traits which a manager needs in order to deal with different kinds of persons and situations. This questionnaire is designed to help you think about these traits. After you have checked each question, we'll discuss the six sections in more detail. So mark each question as quickly as you can under "agree" or "disagree." (Distribute Handout No. 10-1.)

SECTION I

Agree Disagree

_____ _____ 1. When an employee flares up at you, he should always be corrected quickly and vigorously.

_____ _____ 2. A good argument once or twice a day helps me to blow off steam.

_____ _____ 3. An honest man reveals his real feelings about other people.

_____ _____ 4. It is a good idea to let people know when you are angry with them.

_____ _____ 5. It is terribly irritating to work with people who are slow to catch on.

SECTION II

Agree Disagree

_____ _____ 6. A good manager needs to be on the job every day to see that everyone gets his work done properly.

_____ _____ 7. A real leader knows each job better than anyone else.

_____ _____ 8. Good managers do not allow their orders or suggestions to be questioned.

_____ _____ 9. A good manager will spend a large share of his time issuing orders.

_____ _____ 10. My men should show me deference and respect.

SECTION III

Agree Disagree

_____ _____ 11. You can tell a dishonest man by his looks.

_____ _____ 12. There are several races and nationalities that are known for their stupidity.

_____ _____ 13. Redheads are usually bad tempered.

_____ _____ 14. Too much education spoils most people.

_____ _____ 15. Most pretty girls are either very bright or very dumb.

SECTION IV

Agree	Disagree	
_____	_____	16. Quick decisions are the best decisions.
_____	_____	17. Decisions on grievances and disciplinary action should never be changed.
_____	_____	18. A manager should never allow his mind to be changed or his orders altered.
_____	_____	19. My enthusiasm for a project often goes from hot to cold and visa versa.
_____	_____	20. The first impression about an individual should be the lasting impression.

SECTION V

Agree	Disagree	
_____	_____	21. My ideas are usually not as good as the next fellow's.
_____	_____	22. I can never get an idea across very well.
_____	_____	23. It just isn't worth it to stick your neck out with a new idea.
_____	_____	24. Most people get more satisfaction from the boss' praise for a job well done than from the satisfaction of the job itself.
_____	_____	25. I always secure advice before taking action on a new project.

SECTION VI

Agree	Disagree	
_____	_____	26. The best job should be given to those who are good to you.

_____ _____ 27. I should hesitate to discipline someone who will argue and not take it well.

_____ _____ 28. If an action is contrary to policy, a worker's explanation is unnecessary.

_____ _____ 29. It is always bad for my business when a competitor gets one of my better employees.

_____ _____ 30. If a manager is at fault, he should get the blame.

You may keep the questionnaire because I do not want to know how you marked the questions.

Now let's look at each of the six sections to see what the statements tell us about the traits which are helpful in managing people.

Section I -- Calm and Collected

Section I might be called "calm and collected." It helps to show whether a person tends to face human relations situations with a cool and even disposition. If a person checked "agree" on most of these five questions, the indication is that he may be too quick on the trigger. In other words, his "managerial blood pressure" may be a little high.

This kind of manager should make a special point of postponing disciplinary action, criticism, and other tense situations until he has a chance to simmer down and look at the problem objectively.

He should also try to detach himself as much as possible from emotional problems so as to keep his own feelings and pride out of the picture. If he can view tense situations objectively, then he can keep his fiery temper under control.

The manager who is subject to "flying off the handle" may want to engage in some strenuous physical activity--such as hiking, golf, bowling, the punching bag--to help him regularly work off bottled-up steam.

On the other hand, the person who checked "disagree" on most of the questions in this section is probably a fairly cool man. He probably has a lower boiling point than some of the rest of us. And he is lucky.

Section II -- Egotism

Section II deals with egotism. It gets right at the matter that is hardest for all of us to face--our conceit, pride, and vanity--the big head. The person who marked "agree" to most of the statements may have trouble with his ego.

Of course, a feeling of self-importance and self-esteem is necessary to our well-being, joy of life, and balance. But when we try to impress others with it, we get into trouble. They think that we are conceited because they are not interested in how smart or capable we are. One way to avoid this is by focusing attention on the job to be done and on ways of helping others get it done.

Section III -- Prejudice

Section III deals with prejudice--with pre-judgment. We all have many prejudices. We evaluate new people, new situations, and facts more in the light of what we want them to be rather than in the light of what they actually are. A majority of "agree" checks may indicate that a person is inclined to let prejudice get in his way.

Applied to people, the reaction of interpreting facts in the light of what we want them to be is sometimes called the "halo" effect. That is, every pretty girl is a desirable employee, every redhead is hot tempered, every scar-faced man is a culprit, and so on. Every person and situation is prejudiced not on their own merit but according to a fixed set of beliefs.

These prejudices can be damaging. Other people are not interested in or tolerant of your prejudices. Their own concern is that we deal with them fairly, and treat them as individuals.

Section IV -- Patience

Section IV deals with patience. Although patience may seem to be the opposite of temper, it is really more than that. It includes the factor of suspended judgment. We all make mistakes, lots of them. However, it is their frequency and importance that counts. If a person checked "agree" on most of these five statements, he may be inclined to jump to conclusions. He may be inclined to make snap judgments rather than giving himself adequate time to get all the facts necessary for making a sound decision.

Such a person can slow down by doing more paper and pencil planning of his own time and of his employee's schedules. He should weigh the advantages and the disadvantages of decisions more deliberately before making up his mind.

Then before deciding, such a manager should always consider other people. He should ask himself: "How will this decision affect my customers and my employees?

Section V -- Security

Section V might be called security because it deals with self-confidence. A majority of "agree" checks indicate that the person has doubts and fears about his own effectiveness. And these doubts and fears probably get in his way.

Nothing builds self-assurance like success. It is a good idea for each of us to learn to do several things well. Then we should not fret about the many things we can do only passably well. After all, no man can do everything well.

Section VI -- Favoritism

Section VI indicates whether a manager's personal likes and dislikes among people interfere with his sense of fair play. If you tended to agree with the answers, watch out. Perhaps no one management weakness is more quickly picked up and sensed by the working group than playing favorites. Probably no weakness will cause more friction among employees than lack of fair play.

The manager who has this trouble might take a page from Will Roger's book. He said that he never met a man he didn't like. Therefore, we can try to look for likeable points in everyone. Everyone has them even though they may be difficult to find in some people. Some people know how to display their personal talents better and to get along more smoothly than others. Everyone wants to be liked, and part of the manager's job is to help them win this esteem.

If you dislike a man, be honest about it. Admit it to yourself. Figure out why you dislike him. And then try to learn to appreciate him for what he is. A small-business owner cannot afford to let personal preferences for blue eyes, brown hair, or bow ties influence his treatment of people or his decisions concerning them.

SUMMARY

To sum up this session, keep in mind, as we said in the beginning, that managing people is primarily the art of practical human relations. It is the ability to lead people to the effective performance of the job that needs to be done.

In leading employees, you use your own patience and personality. You also try to create a work atmosphere in which people can feel free to do their best. When you are successful, the fairness and self-confidence which you have brought to your store or service shop rubs off on your employees.

They see the job clearly because you have helped them see it. You carefully laid out the tools and methods needed for getting the job done. In trying to make the work easy for employees, you thought about _their_ needs rather than your own. That is, you tried to make _their_ spots in your organization important to them rather than building status into your job.

In order to do these things, you have to keep in mind that people are different. They are also similar. And they want to be treated as individuals.

Effective human relations demands that the manager be a coordinator of employees and work. We saw that to be a coordinator, you have to have:

1. _A people-centered attitude_. You have to put people first when planning and directing work in your place of business.

2. _Understanding_. You have to know whom to tease about his new hat, for example, and to whom to pay a formal compliment.

3. _Confidence and control_. Before he can manage others, a manager must be able to control himself. His self-confidence must be based on his abilities and his limitations because employees can tell when the boss is trying to bluff.

4. _Courage_. The coordinator needs courage for making decisions, for taking risks, and for facing unpleasant tasks, such as disciplining an employee.

5. Ability to delegate. As coordinator of employees and work, you should not do any task which can be done sufficiently well by one of your people. Yet you cannot delegate your own responsibility for seeing that the job gets done well.

6. Ability to praise or discipline. A good rule is: Discipline in private; praise in public.

7. Knowledge of when to apply the brakes. It is easy to race your motor in a busy store. Therefore, you have to know when to put the brakes on yourself so you don't wear out your body and nerves. It is hard to treat employees as individuals when you don't feel well.

You also have to set standards for your store and your employees. Standards, such as selling quality merchandise or doing reliable repair work, give you and employees goals to shoot at in serving customers. They also provide a framework within which you and your people can work together.

We also saw that effective human relations centers around reaching a meeting of the minds. Life, itself, is made up largely of the give-and-take which comes from a meeting of the minds.

In trying to reach such a meeting of the minds with your employees, put yourself in their shoes and keep a receptive attitude. We saw five ways in which the effective supervisor practices this art.

It is important to understand and respect the symbols which people use because, at best, it is difficult to communicate with people.

In communicating, what a person is speaks louder than his words. We saw this fact illustrated in the example of the iceberg. Communication is also blocked by the walls which people throw up because of their individual differences.

We also discussed four "musts" for communications. They are, you may recall:

1. One and only one boss to a person;

2. Span of control--no more employees under a boss than he can direct under normal conditions;

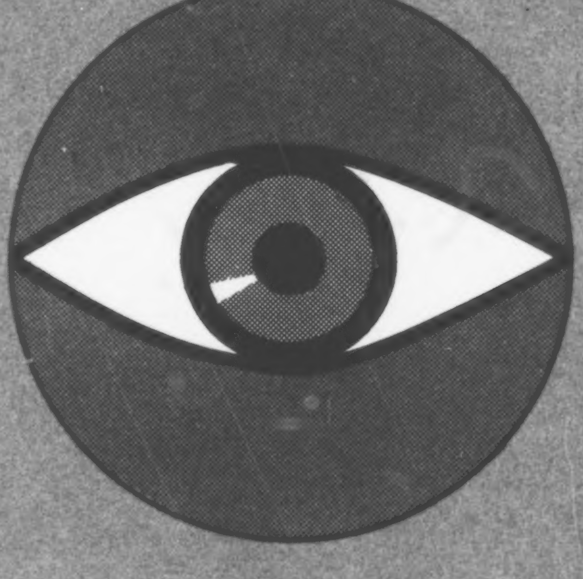
3. Clear cut and specific job assignments; and

4. Delegation of authority--always give your assistant the authority as well as the responsibility to get the work done.

And finally, you heard the story of an appendectomy. There, we saw members of the operating team performing a delicate bit of work without a word of instruction. They were able to do it because a meeting of the minds existed among them. The surgeon who coordinated the work and his assistants knew what to do and when to do it. Years of study, training, and self-discipline went into the creating of that bond of communication.

And self-discipline is the one thing that I'd like you to take away with you. No one is an expert on dealing with the human factors in small-business management. People are complicated. And in this session, we've only scratched the surface of why they tick as they do. We've only touched on what you can do to manage people more effectively.

So keep in mind that the truly effective manager realizes that, at best, leading employees is a difficult art. He practices it with the realization of his own weaknesses. He also keeps before him the constant reminder: "Before I can manage others, I have to control myself."



THE VISUAL AIDS

A What to Show

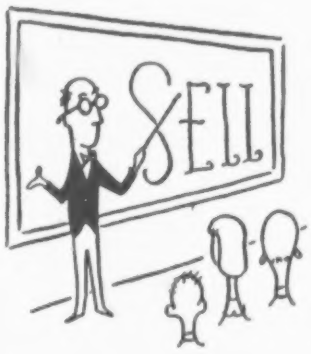
Section

The old Chinese proverb **"One See Worth Thousand Say"** is certainly borne out by experience in the fields of education and training at all levels.

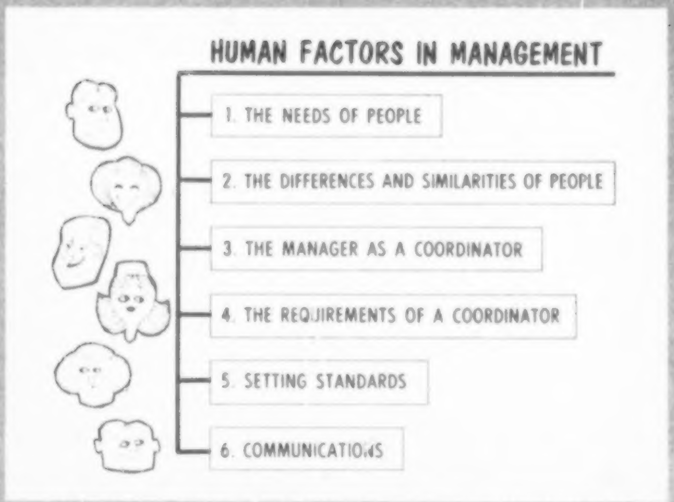
The instructor who helps his participants visualize subject matter and ideas not only holds the group interest--he also stimulates thoughtful consideration and retention of the topic.

This section contains samples of visuals that are available for this subject. Each has been carefully coded and "keyed" into **The Lesson Plan** as outlined in this manual.

USE OF VISUAL AIDS

WHAT TO USE	**WHEN AND HOW TO USE**
Chalkboard 	Study and plan before a meeting what to put on the board and where to put it. Use it to present sketches, diagrams, outlines, definitions, key words, directions, record of class contributions, and summaries. Suit material to board space. Write plainly and quickly. Keep wording simple. Stand at one side of board while referring to material. Talk to the group, not to the board. Erase material no longer needed.
Posters, Charts, and Diagrams 	To arouse interest and attract attention; to show relationships and trends; to inspire group. Use device large enough to be seen. Post where everyone can see. Present at right time. Discuss information illustrated.
Hand-Out Materials 	To present information uniform in character and as a guide to material covered; emphasize key points; arouse interest and discussion; review or summarize discussions; and serve as permanent reference. Select to serve a definite purpose. Introduce at right time. Distribute in manner to convey its importance. Direct members how to use.
Films and Film Strips 	Present an overall view; introduce a new subject; emphasize specific aspects of a subject; arouse interest; summarize. Select carefully to relate to the discussion and plan presentation. Arrange room and equipment for showing. Alert the audience for the showing or what will be seen. Run the film. Discuss the subject matter and summarize.
Samples, Forms, and Exhibits 	Keep subject matter practical; show development of a process; increase understanding. Select only enough to illustrate, not confuse. Pass around if necessary. Take time to present clearly. Comment when presenting.
Pedestal Chart 	A pad of newsprint sheets or similar paper may be used for the same purposes as the chalkboard. Material recorded with chalk or crayon may be saved for future reference by the group or by the instructor.

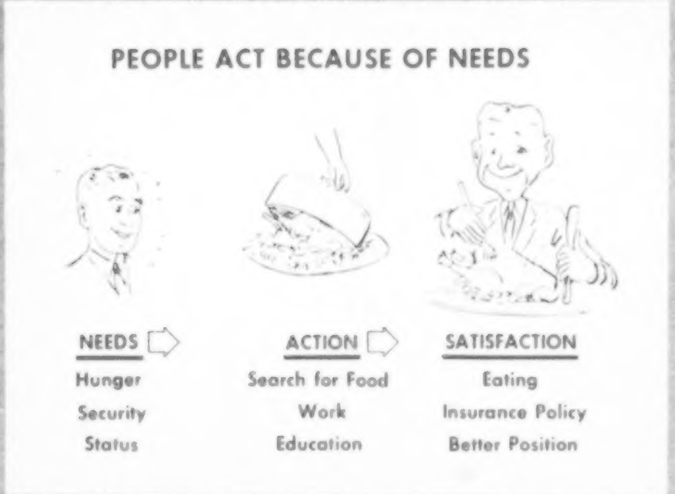
OVERHEAD PROJECTUALS



HUMAN FACTORS IN MANAGEMENT

1. THE NEEDS OF PEOPLE
2. THE DIFFERENCES AND SIMILARITIES OF PEOPLE
3. THE MANAGER AS A COORDINATOR
4. THE REQUIREMENTS OF A COORDINATOR
5. SETTING STANDARDS
6. COMMUNICATIONS

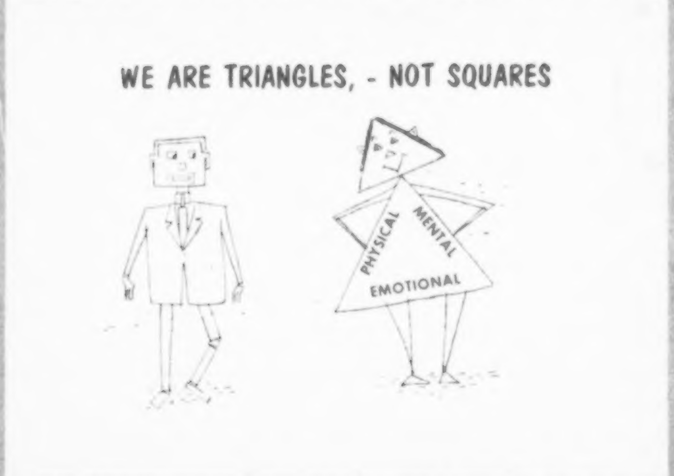
①



PEOPLE ACT BECAUSE OF NEEDS

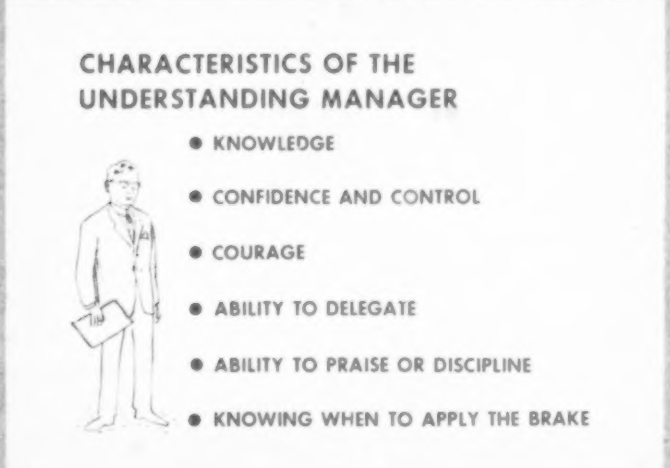
NEEDS ⇨	ACTION ⇨	SATISFACTION
Hunger	Search for Food	Eating
Security	Work	Insurance Policy
Status	Education	Better Position

②



WE ARE TRIANGLES, - NOT SQUARES

③



CHARACTERISTICS OF THE UNDERSTANDING MANAGER

- KNOWLEDGE
- CONFIDENCE AND CONTROL
- COURAGE
- ABILITY TO DELEGATE
- ABILITY TO PRAISE OR DISCIPLINE
- KNOWING WHEN TO APPLY THE BRAKE

④

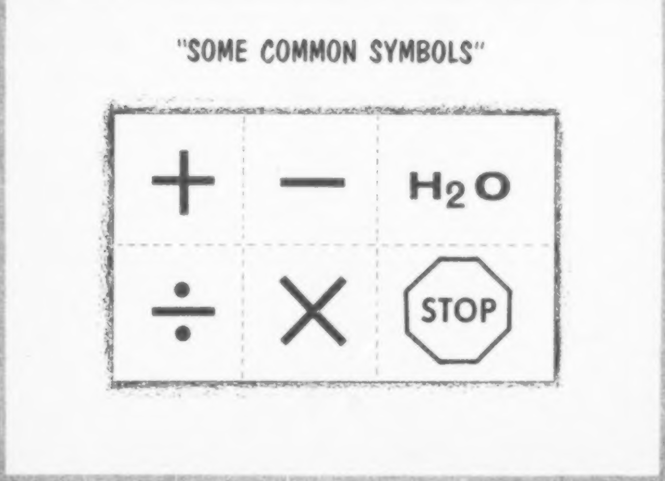
PEOPLE MAKE SPECIAL EFFORT FOR—

— Money →

— A Leader →

— A Cause →

⑤

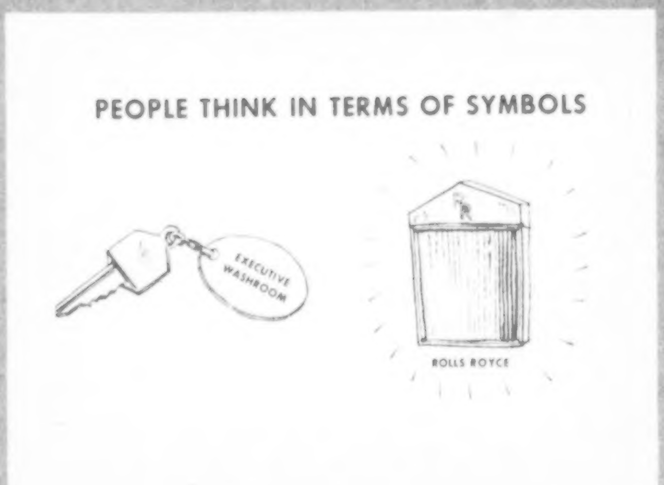


"SOME COMMON SYMBOLS"

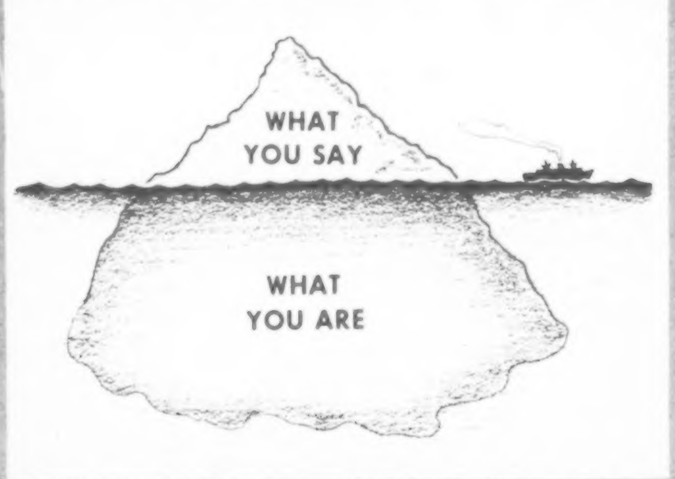
+	−	H_2O
÷	×	STOP

⑥

OVERHEAD PROJECTUALS

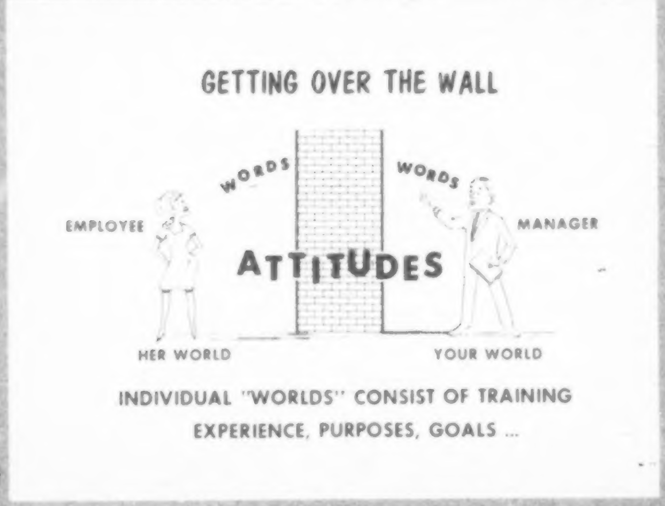

PEOPLE THINK IN TERMS OF SYMBOLS

⑦


WHAT YOU SAY

WHAT YOU ARE

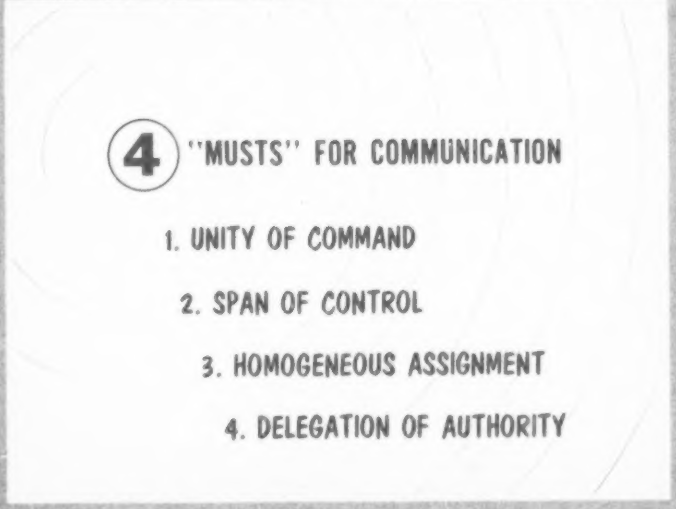
⑧


GETTING OVER THE WALL

ATTITUDES

INDIVIDUAL "WORLDS" CONSIST OF TRAINING EXPERIENCE, PURPOSES, GOALS ...

⑨


④ "MUSTS" FOR COMMUNICATION

1. UNITY OF COMMAND
2. SPAN OF CONTROL
3. HOMOGENEOUS ASSIGNMENT
4. DELEGATION OF AUTHORITY

⑩

THE SUPPLY DEPARTMENT

A Resource Materials and Participant Handout

Section

It is generally conceded that interest intensifies in situations where people have a chance "to participate" by such means as open discussion and buzz sessions. The materials in this section should prove useful in this kind of activity. These materials may be reproduced locally.

It is also desirable to provide participants with "take away" materials if they are pertinent and concise. Accordingly, appropriate Management Aids, Small Marketers Aids, and Management Research Summaries are included in this section. Current information on the availability of suggested and new SBA publications may be obtained from the nearest SBA office.

QUIZ FOR LOOKING AT TRAITS

SECTION I

Agree Disagree

_____ _____ 1. When an employee flares up at you, he should always be corrected quickly and vigorously.

_____ _____ 2. A good argument once or twice a day helps me to blow off steam.

_____ _____ 3. An honest man reveals his real feelings about other people.

_____ _____ 4. It is a good idea to let people know when you are angry with them.

_____ _____ 5. It is terribly irritating to work with people who are slow to catch on.

SECTION II

Agree Disagree

_____ _____ 6. A good manager needs to be on the job every day to see that everyone gets his work done properly.

_____ _____ 7. A real leader knows each job better than anyone else.

_____ _____ 8. Good managers do not allow their orders or suggestions to be questioned.

_____ _____ 9. A good manager will spend a large share of his time issuing orders.

_____ _____ 10. My men should show me deference and respect.

Handout No. 10-1

SECTION III

Agree Disagree

_____ _____ 11. You can tell a dishonest man by his looks.

_____ _____ 12. There are several races and nationalities that are known for their stupidity.

_____ _____ 13. Redheads are usually bad tempered.

_____ _____ 14. Too much education spoils most people.

_____ _____ 15. Most pretty girls are either very bright or very dumb.

SECTION IV

Agree Disagree

_____ _____ 16. Quick decisions are the best decisions.

_____ _____ 17. Decisions on grievances and disciplinary action should never be changed.

_____ _____ 18. A manager should never allow his mind to be changed or his orders altered.

_____ _____ 19. My enthusiasm for a project often goes from hot to cold and visa versa.

_____ _____ 20. The first impression about an individual should be the lasting impression.

SECTION V

Agree Disagree

_____ _____ 21. My ideas are usually not as good as the next fellow's.

_____ _____ 22. I can never get an idea across very well.

_____ _____ 23. It just isn't worth it to stick your neck out with a new idea.

_____ _____ 24. Most people get more satisfaction from the boss' praise for a job well done than from the satisfaction of the job itself.

_____ _____ 25. I always secure advice before taking action on a new project.

SECTION VI

Agree Disagree

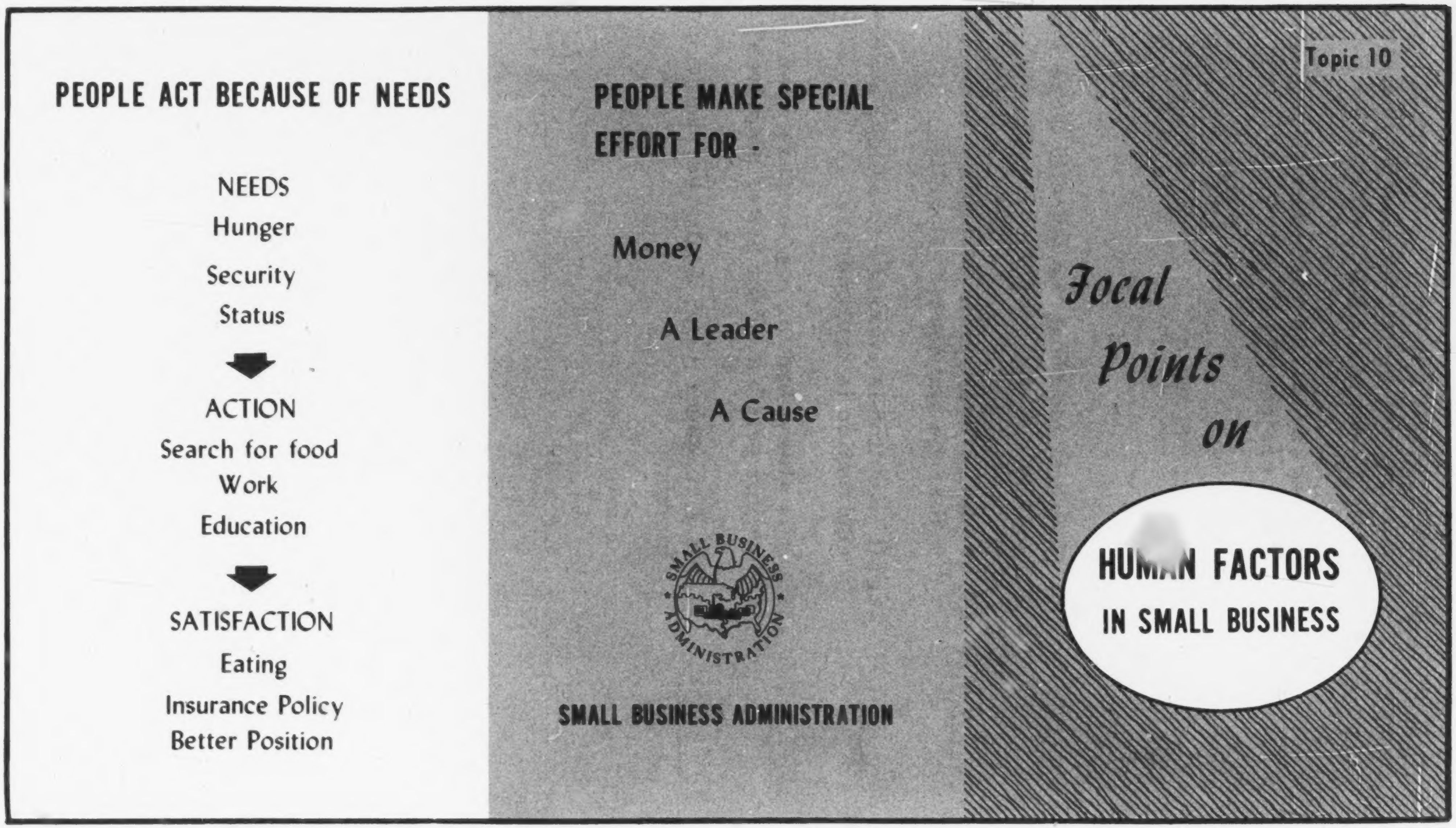
_____ _____ 26. The best job should be given to those who are good to you.

_____ _____ 27. I should hesitate to discipline someone who will argue and not take it well.

_____ _____ 28. If an action is contrary to policy, a worker's explanation is unnecessary.

_____ _____ 29. It is always bad for my business when a competitor gets one of my better employees.

_____ _____ 30. If a manager is at fault, he should get the blame.



PEOPLE ACT BECAUSE OF NEEDS

NEEDS
Hunger
Security
Status

⬇

ACTION
Search for food
Work
Education

⬇

SATISFACTION
Eating
Insurance Policy
Better Position

PEOPLE MAKE SPECIAL EFFORT FOR -

Money

A Leader

A Cause

SMALL BUSINESS ADMINISTRATION

Topic 10

Focal Points on

HUMAN FACTORS
IN SMALL BUSINESS

This page and the following illustrate a three-fold leaflet which summarizes the subject presentation. The leaflet is available in quantity from your regional Management Assistance Division Chief for distribution to participants in SBA-cosponsored administrative management courses.

HUMAN FACTORS IN MANAGEMENT

- The Needs of People
- The Differences & Similarities of People
- Coordination
- Standards
- Communications

CHARACTERISTICS OF THE UNDERSTANDING MANAGER

- Knowledge
- Confidence and Control
- Courage
- Ability to Delegate
- Ability to Praise or Discipline
- Knowing When to Apply the Brake

4 "MUSTS" FOR COMMUNICATIONS

1. Unity of Command
2. Span of Control
3. Homogeneous Assignment
4. Delegation of Authority

Washington, D.C.

SMALL BUSINESS ADMINISTRATION
U. S. Government Agency

Management
Research Summary

Employee Training Needs of Small Montana Firms

Prepared for the Montana State Planning Board
By *Earl V. Weiser* and *Joseph Leo Sohm*, Northern Montana College, Havre, Montana

HIGHLIGHTS

Montana employers recognize that major shifts toward technical and professional employment and away from the semiskilled ranks are taking place.

There appears to be a direct relation between heavy employment of technical workers and dissatisfaction of employers with the present educational levels of their employees.

The study reported in this summary was undertaken to measure the employee training levels of Montana's small-business labor force and to estimate employee-training needs of the next few years.

Results of the survey indicate that the heaviest shortages of labor are in the types of firms using a high percentage of technicians. Expansion of training facilities to meet demands for technical workers seems imperative.

Improved coordination between employers and sources of labor is necessary in order to match available skills with employment opportunities.

In an era of great technological change, a corps of adequately trained employees is a key factor in the successful operation of a business. Where there was 1 scientific or technical worker for every 100 people in the labor force of 20 years ago, there is 1 for every 32 workers today. The whole floor of educational needs for employees has moved up, and will continue to do so. Although Montana is still a raw products and service region, with relatively minor industrial development, it is one of the fastest growing States, according to the report summarized here, and will feel the full effects of this work revolution.

The findings of the study should be of help (1) in supplementing or modifying present educational programs, (2) in counseling young men and women who will be expected to fill the labor needs of the future, and (3) in making it possible for Montana businesses and industries to move forward with better assurance of obtaining employees with the training needed.

• Classification of Firms

For the purposes of the study, the businesses taking part in the survey were classified as service businesses or productive industries. Seventy-eight percent of the firms, employing 61 percent of the workers, were in the service group.

The service category included the following types of activity, listed in order of the number of employers responding: automotive; retail distribution; medical; miscellaneous services; insurance and real estate; restaurants, bars, hotels, and motels;

AVAILABILITY OF THE FULL REPORT

Copies of the full report, titled "An Investigation of the Training Requirements of Small Business with Regard to the Educational Needs of Prospective Employees," may be purchased for $2.00 from Northern Montana College, Havre, Montana. Make checks payable to Northern Montana College.

This report was prepared under the 1959 Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or from the Small Business Administration, Washington 25, D. C.

wholesale distribution; law and accounting; finance; food distribution; recreation and entertainment; transportation; communications; pharmacy; and government. The productive industries included: construction; agriculture; manufacturing; oil products; forestry; mining; and engineering.

• Present Employment

The 2,767 responding firms reported a total of 39,883 employees, but only 65 percent of these were full-time workers. Mining led the list in percentage of full-time employment, with 96 percent. At the other extreme were the recreation and entertainment businesses, which reported only 16 percent of their employees as working full time.

• Future Employment Needs

When asked to estimate how many additional employees would be needed in 2, 5, and 10 years, the service industries as a whole were more optimistic than the productive industries (see table). Manufacturing ranked well above the average for the productive industry group. Of all industry groups, both service and productive, only insurance and real estate and retail distribution expressed higher expectations of increased employment than manufacturing.

Twenty-three percent of the firms expected to add types of jobs not then included in their payroll classifications. Here, selling was by far the most frequently mentioned occupation. Others were chiefly in the area of office and technical work.

• Training Levels of Present Employees

A little more than half the full-time employees were semiskilled workers. Technical, professional, and managerial employees followed in that order.

The service group showed higher percentages of employees in the professional and technical ranks, and the productive industries had a higher percentage of semiskilled workers (see table). Both types of enterprise had the same percentage of workers at the managerial level.

(Professional employees were defined in the questionnaires as those having 4 or more years of formal training beyond high school, or the equivalent. Technical employees were defined as those having 1 or 2 years of formal training beyond high school, or the equivalent; and semiskilled employees, as having no special training before employment.)

Present employment, expected increase in employment, and classifications of full-time employees for 2,767 Montana firms, 1959-60

	All Firms		Service Businesses		Productive Industries	
	Number	Percent	Number	Percent	Number	Percent
Number of firms	2,767	100	2,719	78	588	22
Present employment:						
Full time	26,122	65	16,239	67	9,883	63
Part time	13,761	35	7,955	33	5,806	37
Total	39,883	100	24,194	61	15,689	39
Expected increase in employment (percent of present employment):						
In 2 years	4,091	10	2,683	11	1,408	9
In 5 years	5,250	13	3,760	15	1,490	9
In 10 years	7,594	19	5,822	24	1,772	11
Classifications of full-time employees:						
Professional	3,608	14	2,583	16	1,025	10
Technical	6,794	26	4,972	31	1,822	18
Managerial	1,572	6	1,026	6	546	6
Semiskilled	14,148	54	7,658	47	6,490	66

• Training Methods

All categories of businesses reported heavy dependence on in-shop training to prepare employees for useful service. Training of semiskilled workers was reported as on-the-job training by 69 percent of the firms. Other training methods mentioned were company training courses, schools, company schools, home study, special courses, apprentice programs, night school, seminars, correspondence study, and slides and films.

• Adequacy of Present Employee Training

About half (49 percent) of the employers said they were satisfied with the educational levels of their present technical employees. Thirty-one percent were dissatisfied, 13 percent were uncertain, and 7 percent did not answer the question.

Among the automotive and construction firms, a majority of the employers expressed dissatisfaction on this point. Employers in some groups, such as the manufacturing and communications firms, were almost evenly divided between the satisfied and the dissatisfied. In general, a majority of favorable responses was found only among the predominantly professional groups.

• Training Needed

Among specific recommendations on the types of training needed by workers on the technical level, salesmanship appeared most frequently, followed by fundamentals of English and grammar. Other subjects bringing a substantial number of responses were public relations, business administration, spelling, management development, and mathematics.

For the total employee force, the inadequacies mentioned most often were, in order of frequency: spelling, English and grammar, public relations, lack of interest in learning, mathematics and arithmetic, and salesmanship.

- The Supply of Trained Labor

Fifty-four percent of the employers rated the available supply of trained labor adequate or better. The percentage of firms reporting a short supply of trained labor varied from 22 percent of the mining firms to 57 percent of the automotive firms. There was no marked difference in this respect between the service and productive industry groups. Selling personnel and all types of mechanics were most often reported in short supply.

- Barriers to Hiring Better-Trained Workers

Nearly half the cooperating firms felt the size or nature of their businesses limited their ability to get better-trained personnel. The types of businesses having the highest percentages of firms giving this response were: retail distribution and food distribution, 64 percent; restaurant, bar, hotel, and motel operators, 61 percent; agriculture, 60 percent; and automotive businesses, 59 percent.

Twenty-six percent of the employers said they couldn't afford salaries for better-trained personnel, and 23 percent that better-trained workers were not available.

- Sources for Recruitment of Employees

A number of avenues for recruitment of personnel were reported: voluntary applications, personal contacts, State employment bureaus, advertising appeals, upgrading employees, unions, college placement bureaus, private employment agencies, high schools, trade schools, recommendations of others, and professional and trade associations.

Personal contact was the most frequently mentioned, with 63 percent of the firms reporting its use. Voluntary applications followed, with 52 percent of the firms obtaining at least some of their employees through this means. Twenty-three percent of the cooperating firms reported that they expected to obtain their technical workers by in-shop training and upgrading of present employees.

CONCLUSIONS

The report draws the following general conclusions from the study:

- Service businesses in Montana anticipate a greater increase in labor force than the productive industries do.

The report suggests that such expectations are unrealistic. Agriculture tends to support a high percentage of businesses in service work in Montana at present, but agriculture is a shrinking vocational field because of increasing consolidation and mechanization. It seems unlikely that there will be much opportunity for service businesses in the State to expand unless productive enterprises increase and thereby take up the slack left by declining agricultural employment.

National economists predict a substantial increase in service-business employment, particularly in the professions and technical occupations. But industry will have to "discover" Montana to a greater extent than it has so far if the State is to share in the national trends in even an average way.

- Montana employers recognize that major shifts toward technical and professional employment and away from the semiskilled ranks are taking place. The predicted national trend from blue-collar to white-collar workers will find its counterpart in Montana, if only through the movement of present industries toward greater automation and employee efficiency.

- Employers with a high percentage of technical workers tend to be dissatisfied with the present educational levels of their employees. And, by contrast, employers with a high percentage of professionally trained workers tend to be satisfied with the educational levels of their employees.

The dissatisfaction with present technical training suggests a wide area for improvement in the nature, scope, and quality of technical instruction.

- Results of the survey indicate that the heaviest shortages of labor are largely in the types of firms using a high percentage of technicians. Such a situation points up the need for matching the training of technicians with demonstrated shortages in specific occupational fields. These shortages appear principally in the automotive, communications, pharmacy, and miscellaneous-services industries.

- Expansion of training facilities to meet demands for technical workers of many types appears imperative. In-shop training is no longer adequate. As more technically trained workers and fewer semiskilled laborers are needed, Montana training centers will have to create new programs, as well as expand existing programs for technical training.

There is considerable evidence that size of business in some instances and the special nature of occupations in other instances have prevented the hiring of adequately trained personnel.

Some firms were unable to pay for trained personnel, even when available, at the market value of labor. Other firms found that workers trained in the necessary skills were not available.

- Improved coordination between employers and sources of labor is necessary in order to match available skills with employment opportunities. If trained labor in some categories does not exist in sufficient supply, little can be done to correct the shortage until training institutions meet the challenge. But where the shortage is a matter of uneven distribution of labor supply, labor placement agencies can help through better coordination of supply and opportunity.

Upgrading of employees should never be replaced where it is a workable practice, and voluntary applications and personal contacts will probably remain the basic technique for bringing employers and employables together. But these techniques can produce better results if they are based on substantiating records and references such as those which school and State employment agencies have on file.

ABOUT THE STUDY

The information for this study was obtained by means of questionnaires mailed late in 1959 to employers throughout the State of Montana. From this mailing, 2,767 usable responses were received. The average number of employees of the responding firms was 14.4--9.4 full-time and 5.0 part-time.

Tables in the full report present the findings of the study in detail for all industry groups covered.

Washington, D.C.

SMALL BUSINESS
ADMINISTRATION
U. S. Government Agency

Management
Research Summary

THE ENTERPRISING MAN

By *Orvis F. Collins* and *David G. Moore* with *Darab B. Unwalla*
Michigan State University, East Lansing, Michigan

HIGHLIGHTS

The typical entrepreneur differs from the big-business executive in that he cannot live within a framework of occupational behavior set by others.

From his early work experiences, the entrepreneur slowly fashions his conception of how skills, money, equipment, and markets can be brought into a profitable combination.

As the business grows, the founder will cease to be the driving force, and a new generation will take over. The way of the entrepreneur will no longer be sufficient or necessary.

What motivates the "enterprising man," or entrepreneur, to strike out on his own and set up a new business enterprise? Is he somehow different from other leadership groups in our society? Is there a pattern of motives, values, and interests that can be identified as "entrepreneurial"? The study reported in this Summary was a search for answers to these questions.

• The Background of the Entrepreneur

Common patterns of childhood experiences found among 110 entrepreneurs cooperating in the study included (1) the orphaned and alone, (2) the poor but honest, (3) those who came off the farm as opposed to those with urban origins, and (4) those whose fathers had made a tentative step toward entrepreneurship.

Many who had left school at an early age did so because of a feeling of restlessness, of "not getting anywhere." The economic factor, though present, did not have the importance usually attributed to it.

• Personality Factors

The personality structure of entrepreneurs was examined by a psychologist using the Thematic Apperception Test (TAT). He reported that dominant themes running through the "typical" entrepreneur's personality included the following: (1) a social value system steeped in middle-class mores; (2) lack of social mobility drives (the will to rise in a social hierarchy, achieve power and status); (3) punishing pursuit of tasks and chronic fatigue: (4) lack of problem resolution; (5) satisfactory relations with subordinates on a patriarchal or patronly basis; (6) unwillingness to submit to authority; (7) perception of male authority figures as shadowy, remote beings, not sought out for help or looked up to as models to be emulated.

One point on which the interview material and the TAT analysis agreed closely was the place of adult figures in the world of the entrepreneur. His relation to these figures, more than any other one factor, sets him apart from the men who spend their lives in large organizations and who accept directives handed down by "leaders." The entrepreneur cannot live within a framework of occupational behavior set by others.

AVAILABILITY OF THE FULL REPORT

Copies of the full report, entitled "The Enterprising Man," may be purchased for $6.00 from the Bureau of Business and Economic Research, Michigan State University, East Lansing, Michigan. Make checks payable to Michigan State University.

This report was prepared under the Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or from the Small Business Administration, Washington, D.C. 20416.

- Early Work Experiences

The true school for the entrepreneur, according to the report, is the period between the time when he leaves family life and formal schooling and the time when he firmly establishes himself in his own business. The act of entrepreneurship is that of bringing skills, money, equipment, and markets together into a profitable combination. From his early work experiences, the entrepreneur slowly fashions his conception of how this can be done.

Eventually, according to the report, the typical entrepreneur finds the pattern of his life disrupted. There is a sudden or progressive loss of economic security, a loss of the goals and aspirations that have guided him. But it is not the fact of disruption of his life that sets him apart as an entrepreneur. It is that, during this time, there occurred to him the possibility of establishing a business of his own. In a time of crisis, he does not seek for a situation of security; he goes on into deeper insecurity. In a period of fear and doubt, he finds creativity.

- Creation of a New Enterprise

The report names four tasks the entrepreneur must accomplish during the creation of a new enterprise.

1. "Setting up the firm." In this phase, the entrepreneur is finding the money, men, materials, and equipment necessary for getting operations started.

2. "Getting through the knothole." This phase brings long hours of work, low monetary returns, and great uncertainty.

3. "Getting rid of partners." In setting up the firm and getting started, the entrepreneur has many times needed financial and other support; and every individual who has furnished support has in one way or another established a foothold within the firm. The entrepreneur must have--and the TAT analysis indicates that he does have--the kind of character that impels him to drive these "intruders" out.

4. "On the way at last." During this period, the entrepreneur is engaged in expanding, integrating, and structuring his creation. If he has created imaginatively, organized wisely, and made a sustained effort, his firm will take its place within the network of business enterprise.

But the very process of growth will change the nature of the business. The founder will cease to be the driving force, and a new generation will take over the reins. The way of the entrepreneur will no longer be sufficient or necesary.

- About the Study

The study is based on interviews with 110 founders of manufacturing enterprises established in Michigan between 1945 and 1958. Forty of them were given the Thematic Appreception Test by a highly trained psychologist. Secondary sources provided information for the comparison of big-business executives and entrepreneurs.

SMALL BUSINESS ADMINISTRATION

Management Research Summary

Washington 25, D.C.

Providing Management Talent for the Small Business

Prepared for the State of Louisiana Department of Commerce and Industry

By *Leon C. Megginson*, Professor of Management, Louisiana State University, Baton Rouge, La.

HIGHLIGHTS

Many progressive businessmen believe that recruitment of management personnel should be continuous. If this activity is neglected for any appreciable period of time, gaps will occur in the supply of managers during future periods.

In the survey of small businesses reported in this summary, it was found that sources of potential managers included relatives of the owner, personal friends, employees, competing companies, educational institutions, consultants, and employment agencies.

A management selection program should include (1) systematic recruitment of potential managers, (2) preliminary screening of candidates on the basis of past records and preliminary interviews, (3) further probing of their abilities through tests and references, (4) a series of intensive interviews, and (5) final selection based on all the data plus the personal judgment of the executive making the decision.

The most satisfactory plans for developing executives include training both inside and outside the company.

"Management is the function by which the objectives of an organization are attained through cooperative action." So management is defined in the report, summarized here, of a recent study of small businesses in Louisiana and several other Southern States. The report also suggests that this overall function may be broken down into five separate functions: planning, organizing, staffing, directing, and controlling.

Creative planning is the function of choosing objectives and then determining the policies, programs, procedures, systems, and methods necessary to achieve the objectives.

Organizing is the function of (1) deciding what activities are needed to carry out the plans, (2) grouping those activities into workable units, (3) assigning the responsibility for directing the units, and (4) delegating the necessary authority.

Staffing involves seeing that the positions provided for in the organizational structure are adequately filled. It includes, not only hiring, but appraisal, training, and other activities necessary to the accomplishment of the company's objectives--through people.

Directing, simply stated, is getting the employees to do what you want them to do. It involves the areas of communication, motivation, and discipline.

Control takes two forms, positive and negative. Positive control tries to see that the objectives of the organization are reached. Negative control tries to prevent activities that might hamper the company's progress toward those objectives.

LEVELS OF MANAGEMENT

The responsibility of the worker toward his job shows a definite pattern of change

AVAILABILITY OF THE FULL REPORT

Copies of the full report, titled "Providing Management Talent for Small Business," may be purchased for $2.50 from Division of Research, College of Business Administration, Louisiana State University, Baton Rouge, Louisiana. Make checks payable to Louisiana State University.

This report was prepared under the 1959 Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or the Small Business Administration, Washington 25, D.C.

as he progresses up the organizational line.

At the primary level, the individual worker is responsible solely for his own performance.

At the first level of management, the responsibility is that of seeing that other operators do their work properly.

At the departmental level, there is responsibility for integrating and coordinating the department's special function with the functions of other departments.

At the next level, the manager is held responsible for some part of the company's overall operations.

The top administrator, or executive, is responsible for coordinating the operations of the company. He decides what is to be done, chooses a competent staff to do it, and leaves to them the details of how it is to be done.

In other words, as an employee progresses up the organizational ladder, there is a distinct change in the type of activities he engages in. His responsibility for individual productive activities decreases. At the same time, there is an increasing emphasis on using the abilities of other people to accomplish organizational goals. The test of a good manager is the skill with which he is able to make this shift.

PERSONAL QUALITIES OF A GOOD MANAGER

The report cites, as one of the most intensive studies of the characteristics necessary for successful management, the Round Table on Executive Potential and Performance. This conference was conducted by the Columbia University Graduate School of Business under a grant from the McKinsey Foundation for Management Research.

The conclusion of the conference was that the personal characteristics essential to a good manager are (1) a strong drive or ambition, (2) physical and emotional stamina, (3) willingness to make personal sacrifices, and (4) willingness to take risks.

A college education was not rated as essential, but was considered highly desirable. Other characteristics mentioned were the ability to make decisions and the ability not to let personal feelings govern judgment of associates and subordinates.

THE NEED FOR MANAGERS

Most progressive businesses today are coming to the conclusion that the recruitment of management personnel is a continuous problem. If the recruiting activity is neglected for any appreciable period of time, there will be gaps in the supply of managers during future periods.

The report suggests a "management replacement chart" as a helpful device in maintaining an adequate supply of managerial personnel. Such a chart would show (1) present management positions and those anticipated over a period of years--for example, 5, 10, 15, or 20 years; (2) the training, education, and experience required for each management position; and (3) the present managerial staff, with ages and number of years to retirement.

One relatively small utility company found, on drawing up such a chart, that the five top men in its organization were over 55 years of age and that the age span between the oldest and the youngest was only 7 years. The chart thus revealed that a critical management succession problem would arise in the next 15 years unless corrective action was taken.

A MANAGEMENT INVENTORY

Once the long-range need for managers has been determined, an analysis of the present supply within the firm becomes important. A good management inventory will show (1) managers who are likely to leave the organization within a given number of years; (2) managers who will probably be transferred, promoted, or replaced during the same period of time; (3) executives who are doing satisfactory work in their present positions but are probably not capable of handling more important responsibilities; (4) executives who show potential for further promotion; and (5) non-management employees who have the qualities to merit promotion to managerial positions.

This last phase of the inventory should show for each employee listed (1) whether he wishes to be promoted or not; (2) what education, training, and experience he has; and (3) what further preparation he needs in order to handle management positions successfully. The net result of the inventory should be a clearer idea of whether future managers can be developed through internal promotion or must be obtained from outside the company.

RECRUITING POTENTIAL MANAGERS

In the survey of small businesses reported in this summary, it was found that sources of potential managers included relatives of the owner, employees, competing companies, friends, educational institutions, consultants, employment agencies, and others.

The survey indicated that the most frequently used recruiting practices were personal contacts and advertisements. (Personal contacts included those with customers, suppliers, competitors, and associates in professional, business, religious, and social activities.) Advertisements were the most frequently used recruiting technique in large cities; personal contacts were more often used in small communities.

Other methods of recruiting management personnel included the use of recruiters or recruiting consultants, and direct-mail contacts.

SELECTING THE BEST MAN

After the recruiting activities have produced several applicants for the job, from within or from without the company, the decision must be reached as to which candidate is to be hired. This is basically a process of culling or screening out the undesirable or less desirable applicants. A candidate may be rejected at any point in the process if it has become obvious that he does not meet the requirements.

The first step in the selection process is an examination of each applicant's background as recorded in his personal data sheet and employment record. The second step is a preliminary interview to determine the obvious aspects of the applicant's character, personality, and appearance.

After these preliminary steps, candidates are given a series of tests to measure mental ability, aptitudes or interests, and personality. These tests are a valuable guide, but they should not be used as the final word in the selection of a manager.

The next step in the consideration of an applicant is that of checking his references. The purpose of this step is to verify the information furnished by the applicant, as well as to obtain the evaluation of former employees, associates, and others concerning his past performance.

The preceding steps can be conducted by the personnel department or by the individual in charge of the personnel function. When all the information sought in these steps has been gathered, a second interview (or series of interviews), more intensive, more deeply probing than the previous one, takes place. Top-level executives conduct this interview, with all information about the candidate available to them. This step is probably the most important part of the selection procedure. The decision to hire or not to hire is often made at this point.

A physical examination is given to determine whether or not the applicant is physically capable of performing the work and withstanding the stresses involved in a management position.

Finally, the decision as to whether the applicant should be hired or rejected is made. The opinions of those who have taken part in the process so far may be taken into consideration, but ultimately one individual makes this final value-judgment decision.

DEVELOPING MANAGERS

It is sometimes assumed that only new managers need a planned development program. In reality, both new and present managers are continually being developed, whether the firm has a planned program or not. The only question concerns how well or how poorly it is being done.

Essentially, according to the report, a manager needs to learn (1) a philosophy of management, (2) a new set of attitudes--a consciousness of his impact as a manager on other people and theirs on him, (3) technical details and know-how, and (4) administrative skills.

The most satisfactory plans for developing executives include training activities both inside and outside the company. The internal techniques most frequently used by the small businesses surveyed were (1) on-the-job training, which, according to the report, is the most satisfactory method if properly done; (2) committees; (3) understudy programs, which are formalized variations of on-the-job training; and (4) position-rotation plans.

Outside methods of training included conference programs, college and university courses, management workshops, management clubs, correspondence study, and university development programs.

MOTIVATING MANAGEMENT PERSONNEL

For effective motivation of management personnel, it is necessary that the small business (1) formulate a philosophy or general policy of motivation and (2) establish methods of carrying out that policy.

The report summarizes the wants of managerial personnel as (1) security, (2) job satisfaction, (3) estate building, and (4) current compensation. The purpose of motivation is to make it possible for the manager to progress toward satisfaction of his personal goals by making the greatest possible contribution to company goals.

Security. The urge for security is described by the report as one of the most basic human wants. Insurance, pensions, social security, retirement plans, and deferred compensation payments were among the ways in which the desire for security was met by the firms surveyed. (In deferred compensation payment plans, the manager contracts to work for the company until retirement, to serve as a consultant to the company afterward, and not to offer his services to any other company after retirement. In return, the company contracts to continue part of the manager's salary past retirement.)

The report expresses the opinion that, while stability of employment is also important to a feeling of security, this is largely the responsibility of the manager himself.

Job Satisfaction. An employee will do his best work if he feels that the work he is doing is important and if there is an opportunity for him to advance and to work creatively. Group spirit within the firm is also important to job satisfaction.

Estate Building. A person with the desire and ambition that will make him a good manager will wish to build up an estate. One of the ways in which a company can help the managerial employee in this respect is to give him the right to purchase stock or otherwise acquire an equity in the operation. This helps the company in that it stimulates the manager to a high level of performance. It helps the manager in that he has pride of ownership in the company and in that his income is somewhat geared to his own performance.

To some extent, profit-sharing plans and bonus payments achieve the same result. These techniques are less effective, however, than the stock option or equity purchase plans, according to the report.

Current Compensation. A salary performs two functions. First, it is payment for work already done. Second, it is an incentive for future performance. The report states that this form of incentive is one of the best from a motivational point of view, for ultimately a person's value to himself and to his company is measured in terms of his compensation. Rightly or wrongly, the salary has been accepted as a criterion of success. As a result, the executive's salary can be used as an incentive force with great effectiveness.

The many fringe benefits used to attract and hold managers are also considered a part of current compensation. These include paid vacations, use of a company car, recreational facilities, and so on.

Among the firms surveyed, the most frequently used methods of compensating managers were salary, bonus, and profit sharing. The most frequently used fringe benefits were paid vacations, hospitalization insurance, and life insurance.

ABOUT THE STUDY

The conclusions reported in this summary are based on (1) library research, (2) the author's experience, and (3) information gathered from small businessmen in Louisiana and several other Southern States. Approximately 2500 questionnaires were sent to businesses of various sizes, types of business activity, and locations. About 282 usable questionnaires were returned. In addition, personal interviews were conducted with small businessmen in eight cities.

The report includes a discussion of management theory and a bibliography.

Washington, D.C.

SMALL BUSINESS ADMINISTRATION
U. S. Government Agency

Management
Research Summary

Maintaining the Management Staff in Small Businesses

Prepared for the Idaho Department of Commerce and Development

By *F. D. Seelye, O. L. Carey, H. C. White,* and *D. D. Carrell,* Idaho State University

HIGHLIGHTS

Managerial positions of most firms cooperating in the study were filled by promotion within the company unless a special skill was needed. Most of the firms, however, had no organized program for training potential managers.

Many of the executives interviewed recognized that their low turnover in management personnel might discourage a promising young employee.

Many of the firms were finding it necessary to increase their incentives and fringe benefits in order to retain managerial personnel.

The degree to which a business succeeds depends primarily on the competence of its management. But competition for managers is increasing. Small businesses in particular are having difficulty in training or attracting capable managerial talent. The study reported in this Summary examines the recruiting, selecting, training, promoting, and retaining of key managerial employees in 437 small businesses.

- Recruitment and Selection

The small businesses taking part in the study used a variety of recruiting sources for nonmanagerial employees. Managerial positions, however, were usually filled by promotion within the company unless a special skill was needed and not available among the existing staff.

The most frequently mentioned sources for management personnel when recruited from the outside were (1) persons recommended by employees and (2) other companies. In making the final selection, three-fourths of the firms depended on personal interviews with applicants. Often, the applicant was already known to the management, and the interview was given largely to explanations about the firm and the job.

- Training

Three-fourths of the businesses surveyed did not have an organized training program for developing managerial employees. This, the report states, was due to (1) lack of awareness of the need for such training; or (2) inability or unwillingness to develop a training program.

A few firms, however, had good informal training programs. The methods most often used were (1) to assign new employees to experienced workers and (2) job rotation. Type of business rather than size of firm appeared to determine both the existence of a training program and the methods used.

- Promotion

Promotion policies varied among industry groups. In wholesaling, for instance, 79

AVAILABILITY OF THE FULL REPORT

Copies of the full report, entitled "Personnel Policies of Small Business--Recruitment, Training, Promotion and Retention of Management Personnel," may be purchased for $2.00 from the Bureau of Business Research, College of Business Administration, Idaho State University, Pocatello, Idaho. Make checks payable to the Bureau of Business Research.

This report was prepared under the Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or from the Small Business Administration, Washington, D.C. 20416.

percent of the businesses studied depended entirely on internal promotion to fill their management needs, but in manufacturing, only 59 percent did so. Of the study group as a whole, almost 70 percent filled managerial vacancies by internal promotion only. Another 28 percent used both internal promotion and outside recruiting, and the rest used outside recruiting only.

Terms used by the respondents to describe "promotable" qualities included (1) ability and potential; (2) performance or production; (3) loyalty and honesty; (4) good relations with the public and with fellow workers; (5) stability, maturity, and experience; and (6) desire, ambition, or enthusiasm. Most of the executives found the qualities hard to define but thought they could easily recognize them in an individual. Few of the firms had a formal procedure for reviewing salaries or work performance.

• Retention

A majority of the cooperating executives reported that they had little turnover in management personnel. This low turnover hampered the recruiting and development of future management personnel. The executives recognized that a promising young person might become dissatisfied and leave before he could be promoted to a responsible position.

The four reasons given most often by management personnel for leaving voluntarily were (1) opportunity for advancement elsewhere, (2) opportunity for increased salary elsewhere, (3) personal reasons, and (4) desire for a change of locale.

Many of the study firms were finding it increasingly necessary to offer a greater variety of incentives and fringe benefits in order to retain managerial employees. The fringe benefits they offered included paid vacations, various types of insurance, out-of-town business trips, seasonal bonuses, expense accounts, and use of a company car.

• Inadequate Managers

When a management employee was hired from the outside, he was usually employed on a trial basis. If the work performance and conditions were not mutually acceptable, either during or after the trial period, the outsider either quit or was asked to leave.

If a managerial employee promoted from within proved inadequate, the usual procedure was to move him horizontally, demote him, or give him employment in some other part of the business. Several responses indicated, however, that this could block the development of other potential managers within the organization, and so the man would be discharged.

• About the Study

The report is based on information obtained from a questionnaire survey of 437 small businesses in Idaho, Montana, Oregon, and Washington, and interviews with 76 of the executives of the companies. The study was restricted to businesses that were independently owned, employed between 8 and 500 workers, and had at least 2 managers.

Washington, D.C.

SMALL BUSINESS
ADMINISTRATION
U. S. Government Agency

Management
Research Summary

FACTORS IN SMALL BUSINESS SUCCESS OR FAILURE

Prepared for the Montana State Planning Board
By *Edward J. Chambers* and *Raymond L. Gold*, Montana State University, Missoula, Montana

HIGHLIGHTS

The businessmen taking part in the study generally agreed that success in a small business is likely to come to the man who has the following traits:

He works long, hard hours.
He has the ability to recover quickly and press on in the face of a setback.
He is competitive in attitudes and actions.
He is willing to take a minimal profit from his business until he achieves a firm financial position.
He masters the technical and social skills his operation requires.

The data suggest that there is a "take-off" or a "slide" point in a businessman's career beyond which cumulative experience of success or failure affects his motivation.

The study reported in this Summary is based on the hypothesis (1) that successful and unsuccessful businessmen differ in their personal attitudes as well as in their applications of business principles, and (2) that the degree of success achieved by a small enterprise can best be explained by reference to both of these factors.

The specific purpose of the study was to find out what business attitudes and practices may be especially related to small business success and failure in the Northern Rocky Mountain Region. The criterion for success was a profit.

ECONOMIC ENVIRONMENT

Certain economic conditions in this sparsely settled area differ markedly from those that prevail throughout most of the country. Montana's economic growth in the second half of the 1950's was well below that of the Nation as a whole.

During this period, changes were taking place in the structure of the State's economy. Most notable was the decline in job opportunities in the mining and primary metals industries.

At the same time, there was a trend toward diversification and larger operating units in the forest products industry. This trend resulted in increased processing, but it was accompanied by the substitution of capital for labor. Thus, although the stability of the industry increased, job opportunities became fewer.

Another factor in the changing economic structure of the State was the continuing exodus from farming. This, in turn, affected communities economically dependent on the agricultural industry.

AVAILABILITY OF THE FULL REPORT

Copies of the full report, titled "Pilot Study of Successful and Unsuccessful Small Business Enterprises Within Montana," may be purchased for $1.00 from the Bureau of Business and Economic Research, Montana State University, Missoula, Montana. Make checks payable to the Bureau of Business and Economic Research Fund.

This report was prepared under the Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or from the Small Business Administration, Washington 25, D.C.

BUSINESS OPERATIONS

In general, the successful businessmen who cooperated in the study tended to be more systematic in the conduct of their businesses than the unsuccessful ones. They were more conscious of (or at least more articulate about) such matters as the need to control inventories, the cost advantages of taking allowable discounts, the importance of appraising the market situation, and the circumstances under which expansion would be feasible.

The successful respondents also displayed greater mastery of the technical skills of buying, selling, organizing work efforts, and so on. They were more resourceful in meeting problems, always seeking a new approach if the first course of action proved unsatisfactory. They "bounced back" after business setbacks, trying new procedures and marketing methods and other means of recovery.

The unsuccessful owners showed less resilience. They became demoralized more readily than their successful colleagues. They tended to complain rather than act.

- Sources of Funds

There were other contrasts in the approach of the two groups to business operations. The successful businessmen were able to find additional capital outside the regular market channels when necessary. Further, they fully understood the restraint they might have to impose on their own living standards in order to plow back a substantial share of profits into the business.

Some of the unsuccessful businessmen, on the other hand, could not strike a workable balance between their personal living standards and the need to reinvest their earnings.

- Accounting Procedures

The data revealed no significant differences between the successful and the unsuccessful firms in regard to records and accounting procedures. Only one of the firms did not employ an accountant to examine the books and prepare a statement once a year or oftener; and some kind of monthly statement appeared to be the general rule. The effective use of accounting records in day-to-day decision making, however, varied considerably.

- Advertising

The successful owners tended to use advertising as a means of stimulating demand when sales leveled off. The unsuccessful, in similar circumstances, were more likely to regard advertising as a cost item that could be dispensed with.

- Customer Credit

In the businesses where sales on credit were important, most operators reported that about one-half their sales were made on credit. In general, both successful and unsuccessful firms seemed aware that laxness in extending credit could be harmful to the business.

- Availability of Credit to the Firm

More unsuccessful than successful businessmen thought that not enough funds were available locally to meet their needs. The shortage was most apparent in the supply of long-term loans.

- Profit Margin

The great majority of both successful and unsuccessful firms did not set a definite profit margin on their products or services. The general attitude was that profit was largely a function of the need to meet competition. This need, it was felt, could be met most effectively with flexible pricing policies.

- Expansion

A majority of the businessmen interviewed expressed a desire to expand in terms of their present products or services only. One had seriously considered diversification as a means of expansion. About one-fourth of the respondents, half of whom were successful, had no interest in expanding.

EMPLOYEE RELATIONS

Most of the firms taking part in the study had at least 3 employees. Many had more than 12, and during seasonal peaks some had 80 or more. More than half the total group were unionized, and most of the larger firms had two or more levels of supervision.

No marked differences between the successful and the unsuccessful firms were found in the area of employee relations. Two general observations may be made, however.

One is that very few of the employees had received their business training in schools. Most of the firms provided informal on-the-job training. They simply put a new worker with an experienced one and hoped that the necessary transfer of learning would take place.

The second point is that the firms interviewed, almost without exception, had an unusually low rate of labor turnover. Even in highly seasonal operations, such as road construction and lumber, the employees seemed to return year after year. The reasons for this low turnover rate were not clear.

CUSTOMER RELATIONS

A majority of the businessmen, both successful and unsuccessful, were willing to go along with the adage that the customer is always--or almost always--right. And even when the customer was wrong, they tried to avoid giving offense.

An important difference between the successful and the unsuccessful businessmen was the greater ability of the successful operators to project themselves in the role of expert in their dealings with customers. Unsuccessful owners were more likely to be overconcerned with technical skills and not aware enough of the social skills needed for successful operation of a business.

ATTITUDES TOWARD THE BUSINESS

The unsuccessful businessmen were about equally divided between those who would like to be on the payroll of a big business and those who preferred their independence. Among the successful businessmen, however, a large majority preferred to maintain their independence.

"I've worked for large companies, and I've worked for small companies," one of the successful operators said. "But I like to work for me the best."

Members of this group may look with some desire on the relative security that big business appears to offer, but they have no wish to submit to the organizational discipline of a large corporation.

There was general agreement among all the businessmen interviewed that success in a small business is likely to come to the man who has the following traits:

He works long, hard hours.
He has the ability to recover quickly and press on in the face of a setback.
He is competitive in both attitudes and actions.
He is willing to take a minimal profit out of his business until he achieves an adequate financial position.
He masters the technical and social skills his operation requires.

The data assembled in the study suggest that there is a "takeoff" or a "slide" point in a businessmen's career. Beyond this point, his motivation is affected by his cumulative experience--success tends to foster success, and failure tends to foster more failure.

To paraphrase one unsuccessful businessman, a merchant who experiences a series of business losses becomes discouraged. He is inclined to let things run down. He loses his resiliency and his enthusiasm for persuading shoppers to become customers. Finally, he reaches the stage where it is a burden to open the store in the morning.

THE BUSINESS ENVIRONMENT

A marked difference was found in the attitudes of the successful and unsuccessful businessmen toward the business environment of their communities. Those who were successful and who were located in the larger centers considered their communities attractive both as places in which to do business and as places in which to live. They believed that the future of their communities was bright.

Successful enterprisers in growing smaller communities felt that expansion in their localities was rapid enough to enable them to compete with business in larger centers. Those who were successful in stagnant smaller communities were aggressive and, in fact, served a much larger area in a highly specialized way. They appeared to have assessed realistically the effects of external forces on their communities, and to have adapted to these changes.

The unsuccessful businessmen in the larger cities were generally critical of the failure of their communities to attract more industry. They complained of too much unionization, or of excessive chain-store competition. The unsuccessful operators in small, nongrowing communities were much less willing to evaluate their situation realistically and meet the challenge of a changing environment.

Successful respondents pointed out that in return for the benefits they had received, they owed a share of their time and energy to the community. No unsuccessful respondent made a similar point about his civic responsibilities.

ABOUT THE STUDY

The report is based on tape-recorded depth interviews with 30 small businessmen in 13 Montana communities. The following types of industries were included: trade and service, 17; manufacturing, 8; construction, 2; mining, 1; transportation, 1: and printing and publishing, 1. The sample was about equally divided between successful and unsuccessful businessmen.

Washington, D.C.

SMALL BUSINESS
ADMINISTRATION
U. S. Government Agency

Management Research Summary

A Guide to the Study of Management Ethics

By *Philip W. Van Vlack*, Associate Professor of Economics
South Dakota State University, Brookings, South Dakota

HIGHLIGHTS

The Guide summarized here discusses four basic problems in management ethics:

1. What problems in business management are moral problems?
2. What ought to be done in a particular situation involving a moral problem?
3. Why is a motive or action morally right or wrong?
4. How can compliance with moral standards be obtained through sanctions or education?

According to a survey of business executives, the best guarantee of high standards of morality in business is that subordinates work under the direction of men who themselves have high standards. The Guide described in this Summary focuses on methods of moral and ethical inquiry in relation to business problems.

The Guide is intended primarily for business leaders who teach other businessmen, but it can also be used by educators in government, management associations, and universities. Some business managers may wish to use it for individual study; others may find it useful as a basis for group discussion.

DEFINITION OF TERMS

Ethics is a systematic study of moral choices and of the moral standards by which right choices are made. Morals and morality are the actual conduct, codes, customs, attitudes, and judgments of men.

What is moral may be opposed to what is either immoral or nonmoral. Actions are spoken of as immoral if they are wrong by reason of consequences or motives; as nonmoral if they have no moral significance.

PURPOSES OF DISCUSSIONS IN BUSINESS ETHICS

Discussions of business ethics serve many purposes. They can provide chances:

1. To explore moral issues and points of view.

2. To acquire new insights or understanding.

3. To understand the positions of those with whom we differ.

4. To expose the participants in the discussion to alternative proposals for action.

5. To compare experiences, and to combine personal experience with the knowledge of resource persons who have given special study to topics being presented.

6. To study plans for future action.

AVAILABILITY OF THE FULL REPORT

Copies of the full report, entitled "Management Ethics Guide," may be purchased for $1.50 from Economics - Ethical Studies, South Dakota State University, Brookings, South Dakota 57007. Make checks payable to Economics Department, South Dakota State University.

This report was prepared under the Small Business Management Research Grant Program of SBA. It may be reviewed at any SBA field office or at certain depository libraries whose addresses may be obtained from the SBA field offices or from the Small Business Administration, Washington, D.C. 20416.

TECHNIQUES OF DISCUSSIONS OF ETHICS

The Guide discusses such problems of discussion technique as the time to be allowed, method of presentation, and various types of group discussion, including forums, informal discussion groups, panels, "buzz sessions," workshops, and others. For those who wish to schedule discussions in management ethics, the five chapters of the Guide are arranged to serve as guides for five meetings.

Ethical inquiry, to be relevant, must begin with appraisals of particular moral situations, according to the Guide. Ethical theory is needed, but it must be applied. It must be applied to (1) a person who is faced with decisions and must act, (2) particular situations, (3) courses of action actually available, (4) consequences of taking the various courses of action, and (5) the moral standards by which motives or consequences are judged. The Guide provides opportunities for the application of ethical theory by the use of case examples.

- A Typical Case Example

The young manager of a new small business is having coffee with two competitors who have been in business for some years. The men discuss a contract to be let by the city. Their firms are the only ones in the area equipped to do the job called for by the contract.

The two older men, who have "cooperated" before, propose that all three offer nearly identical bids, higher than any one of them would have submitted alone. They suggest that the new manager submit the low bid this time. He would thus be sure of getting the contract, which he needs. Later on, the three could take turns--not with clocklike regularity, but so that over the months the contracts would be divided fairly.

The new manager stirs his coffee before he answers, and takes a sip. It is too hot. He adds a little more milk, stirs the coffee again, takes a long drink, and only then begins his reply. . . .

The Guide poses questions to stimulate discussion about what his reply should be and why.

PROBLEMS AND METHODS

(First Meeting)

The first chapter of the Guide takes up problems and methods of management ethics. Four basic problems are discussed.

1. The scope of morality. What problems in business management are moral problems?

2. Moral standards. What ought I do in a particular situation involving a moral problem?

3. Ethical principles. Why ought I do it? Why is a motive or an action morally right or wrong?

4. Strategies in management ethics. How can compliance with moral standards be enforced or taught?

These four problems form the basis for the remaining four discussion meetings.

THE SCOPE OF MORALITY

(Second Meeting)

Those who make business policies should be able to (1) recognize the moral dimensions of business decisions; and (2) distinguish between moral problems that are obvious and significant, those that are obvious but trivial, and those that are not obvious but are nevertheless significant. They should also understand and make use of the various concepts of human nature.

Few thoughts or actions of a business executive are entirely without moral significance. However, some moral issues, the Guide states, are more significant than others. The Guide does not attempt to describe nor measure the countless types of moral problems that arise in American business practice. Rather, it leaves the job of pinpointing moral problems of particular businesses to the reader, and offers two "Moral Problems Audits" as checklists. These Audits are shown in part on page 3.

This chapter also discusses six contrasting views of the causes of and cures for immorality in business and suggests some questions to stimulate discussion of these views.

MORAL STANDARDS IN BUSINESS

(Third Meeting)

Often, business executives must make policies when there are no clear guidelines. Nevertheless, they apply certain moral standards based on ethical principles. They answer the management question, "What, morally, ought we--or I--do?" on the basis of (1) technical and social information at hand, (2) broad principles of ethics, (3) specific guides for conduct appropriate to specific situations (moral standards and rules), and (4) exceptions that must sometimes be made to moral rules and standards.

Four types of moral standards discussed in the Guide are:

1. Love.
2. Justice--the idea of "fair play."
3. Freedom and liberty--liberty from restraint, interference, and so on; freedom to decide, to choose, to act.
4. Social responsibility.

(Please turn to page 4.)

Moral Problems Audit I
Inventory of Moral Problems WITHIN the firm

Check the items you believe apply to your business. Ignore those that do not, or revise the wording to make them applicable. With which of the standards would you personally disagree. Why?

Business standards	In my business, the standards checked below are:		
	Held and almost always followed	Held but only sometimes followed	Held but almost never followed
Equal pay for equal work, regardless of sex			
Equal pay for equal work, regardless of race			
Fair distribution of earnings among owners, managers, and employees			
Stability of earnings for all who serve the firm			
Job security for all who serve the firm			
Freedom from restraints on executives (unreasonable company policies, red tape, and so on)			
Freedom to try out new ideas and exercise initiative			
Accurate and honest business records available to all authorized persons			
Accuracy in labeling and packaging			
Truth in all advertising and sales contacts			
No "fringe" benefits given or received that are disguised as business expenses			
No items of income unreported for the purpose of avoiding income taxes			
Other:			

Moral Problems Audit II
Inventory of Moral Problems OUTSIDE the Firm

Check the items you believe apply to your business. Ignore those that do not, or revise the wording to make them applicable. With which of the standards would you personally disagree. Why?

Business standards	In my business, the standards checked below are:		
	Held and almost always followed	Held but only sometimes followed	Held but almost never followed
No price agreements in restraint of trade, except where authorized by law			
Free and open competition in all other ways			
No secret kickbacks or payoffs to customers, suppliers, politicians, or others.			
Compliance with just laws, and disobedience of unjust laws only if obeying them would mean disobedience of a higher law			
Refraining from acts which, though legal in themselves, might lead to controls by government or illegal acts by competitors			
Refraining from acts which, though legal in themselves, appear unfair in your own judgment or in the judgment of others			
Management of business duties so that time and energy are available to fulfill family responsibilities			
Management of business duties so that time and energy are available to fulfill community responsibilities			
No business entertainment or other inducement designed to tempt a customer to be disloyal to his own company			
Other:			

MAJOR ETHICAL PERSPECTIVES

(Fourth Meeting)

Why is an action right or a purpose good? Are there criteria for judging moral standards that are more basic than laws? If so, what are they? A man's conscience? Intuition? Natural inclinations? Religious principles? What do most businessmen mean by "right"? What do the terms "good," "should," "duty," "responsibility," and so on mean?

Before attempting to answer the question "What ought we do?" business managers should consider the following questions: (1) What are the grounds on which we decide that actions or motives are right or wrong? (2) What makes right right? (3) What do the ethical terms we use really mean?

- Revealing Questions in Moral Decisions

The questions a business manager most frequently asks when he is faced with a moral decision, the Guide states, often reveal his basic ethical viewpoints. Among the questions discussed as significant in this respect are the following:

What pleasures and happiness will I receive if I choose one or the other course of action?

Which choice will produce the greatest good for the greatest number?

What will people think? What does the law say? What do the authorities say?

Would I be willing to have the purpose behind what I do shared by everybody?

How can we use scientific principles to solve the problems or reduce the conflict?

What is the will of God?

Which solution would best serve the interest of my economic class?

Shall I postpone and possibly avoid a difficult decision, or ought I make the decision even though I cannot be certain what is right?

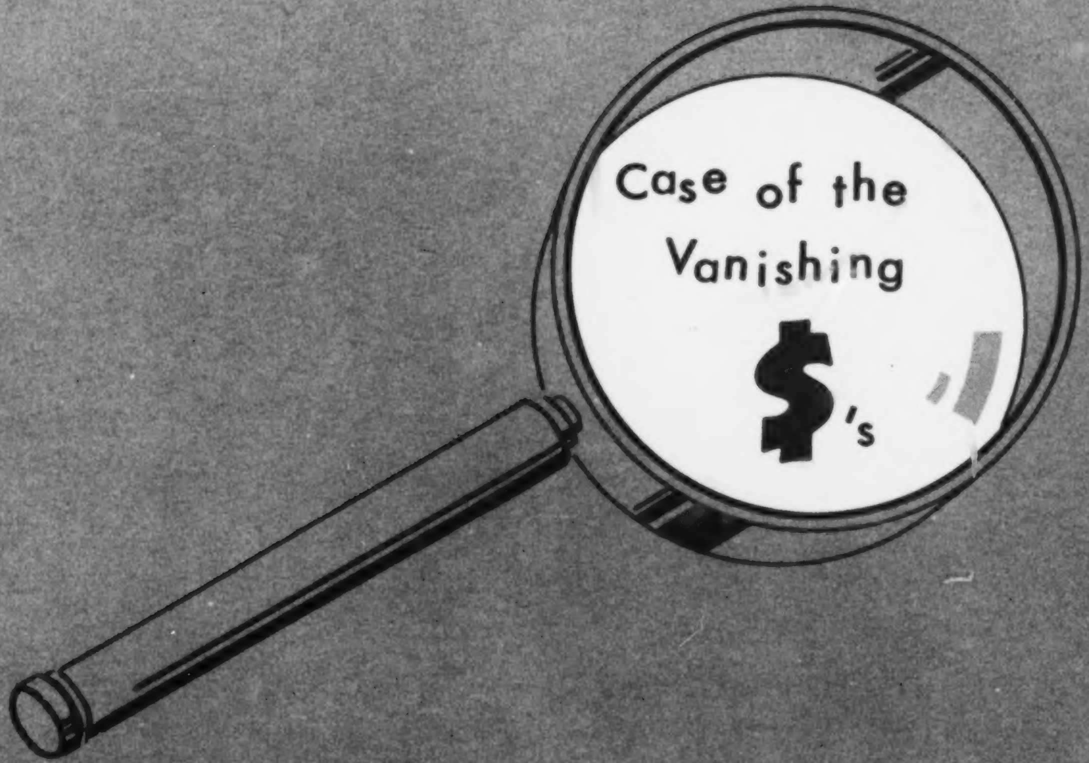
STRATEGIES IN MANAGEMENT ETHICS

(Fifth Meeting)

Moral conduct is rewarded and immoral conduct punished by the sanctions of laws and courts, professional ethical codes, unwritten rules of society, laws of nature, religious tradition, and conscience. Business managers should be aware of the problems and possibilities of these various sanctions, and also of positive methods of moral training that make harsh sanctions less necessary. Education without sanctions may be unrealistic, but moral sanctions without education in ethics will have little chance of long-run success.

The discussion of this problem in the Guide is given chiefly to the possibilities and limitations of professional business management codes as a strategy for the enforcement of moral standards in business.

(The full Guide includes a bibliography and a glossary of key concepts in ethics.)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CASES IN POINT

Case Studies for Depth Penetration

Section

The case method has proven stimulative and effective in many administrative management courses. The following case material is suggested as a means of encouraging discussion.

It is suggested that one full session be devoted to the presentation of the topic as outlined in this manual. A case can sometimes be used to stimulate or augment the discussion period that follows the presentation. This could be one way of expanding the basic materials into an advanced course on the subject.

THE CASE METHOD OF STUDY

What is the case method? The case method is a teaching device that helps the student learn through exercising the reasoning and decision-making processes. This can be contrasted with other popular teaching techniques which place stress on learning (or memorizing) an accumulation of past knowledge on a given subject. The case method stresses thinking rather than memorizing; it is a dynamic or active method rather than a passive one.

What is a case? A case is a description of an actual or true-to-life business situation. It is a statement of facts, opinions, and judgements -- in short, it is a problem.

The case method is particularly useful in teaching businessmen because it utilizes real, practical problems rather than abstract concepts. Properly used, it provides a realistic environment that causes the participant to become involved and holds his interest. It provides experience in performing essential parts of the administrative tasks without incurring the penalties of a wrong decision on the job. It develops within the individual the process of making decisions, and forces him to think analytically and constructively.

The student also learns the value of group discussion and analysis. Each member of the case discussion group contributes from his unique experience, and each gains from the others. The group knowledge and experience will exceed that of any individual participant -- including the instructor.

The following check-list is suggested as an outline procedure for conducting case study and analysis:

Suggestions for Case Study

1. Read the case carefully for general content.
2. Arrange the facts of the case in order of importance.
3. Recognize and define the major problem(s) that need solution.
4. Analyze the problems and their relative importance.
5. Search for and establish alternative solutions.

6. Select the most desirable of the appropriate solutions.
7. Analyze your probable solutions -- set up the pros and cons of solutions, giving value to each.
8. State your choice, decision, or final conclusion -- be prepared to defend it.
9. Stipulate the plan or plans for implementing the decision.

SWEET SUCCESS?

John Tate's* success in the retail shoe business was tainted sometimes by the poor attitudes which he felt his two employees showed. Both were fairly new. One had been with him for 3 months, the other for 4 weeks. As he put it, "They just don't seem to want to take a real interest in their work."

He often remarked that he could not understand why his employees didn't show more initiative. "I try to be good to them," he said, "but all the thanks I get could be put in a shoe horn."

He referred to Bill Perty as an example. Six months previously, Bill Perty had quit and gone to work for one of Mr. Tate's competitors. He left after Mr. Tate cut his salary. "But Bill never could understand my side of anything," Mr. Tate said. "After all, the cut was just temporary, and I didn't try to touch his commission rate."

Mr. Tate felt that the two new employees also did not see his side. "That young one," he said referring to the man who had been in the store for only 4 weeks, "got sassy yesterday when I called him down for staying too long for lunch. And I tried to do it in a nice way too. I just remarked that he must have had fish and had to catch them first because it took him such a long time for lunch. And he tried to wisecrack by remarking that I must have had razor blade soup for my lunch."

Earlier in the week, Mr. Tate said this employee had failed to show interest in his job by trying "to wiggle out of some night work." According to Mr. Tate, "He said he had a date, but I reminded him of the fact that once in a while all three of us have to work at night and change the windows. He got huffy, but stayed and helped us. As I tried to tell him, "Son, there won't be any customers for you to make a commission from if the displays aren't kept new. But he didn't seem to take it in."

Mr. Tate shook his head and said that he could not understand young people. "They're just going to the dogs," he said. And furthermore, he felt that they wanted "the bones picked out" of their work. "For example," he said, "that young fellow doesn't want to get his hands dirty when he gets a box of shoes off the shelf. But he doesn't like to help dust stock either.

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*Names of persons and firms are disguised.

He shook his head again. "Mark my words," he said, "that boy will keep dragging his feet and I'll have to fire him or he'll get tired of doing things my way and quit." The latter happened several days later, just as most of the other retailers in town expected. They knew that John Tate had never fired an employee.

Suggestions

"Sweet Success" can be used to bring out discussion on the lack of good human relations in a small store. The following questions should be helpful:

1. What is Mr. Tate's attitude toward his employees?
2. Is he "people-centered" in making decision, such as the one to cut Bill Perty's salary?
3. How did Mr. Tate try to correct the young employee who took too much time for lunch?
4. What does Mr. Tate think of young people? Is this attitude good or bad? Why?
5. Why do you think Mr. Tate never fired an employee?
6. In your opinion, what do the other retailers in town think of Mr. Tate as a manager of the human factors in small-business management?
7. Does Mr. Tate make an honest effort to lead his two employees?

"THEY NEVER DO ANYTHING RIGHT"

The three persons who worked in George Washer's small store never did anything right, according to Mr. Washer. As he often told his wife, "They're the biggest bunch of dopes I ever saw assembled in one place. Their heads are solid ivory."

To list several of Mr. Washer's complaints about his employees:

"They wear all sorts of clothes and make bad impressions on customers."

"They often quote the wrong price, especially on new items."

"They either give customers no information about products or they give out wrong information."

"They don't notify me when they sell the last item in a certain size."

"They never call in when they are going to be late."

"They wait until the last minute to ask when they want to take off the next day."

"They don't try to keep their stock neat and clean."

"They never give me any suggestions for improving their work."

Now look at these complaints as Mr. Washer's employees see them.

"He never told me that I shouldn't wear a certain kind of dress to work. In fact, I thought that he liked the slinky black one that I wear when I'm going on a date right from the store."

"Quote the wrong prices! Why, I have to run all over the store to ask him the price of a new item. And then he acts like it hurts him to give it to me."

"He never gives me any facts about products. The only way I can tell about how a new item will wear is by trying one myself. And on what he pays I can't afford to buy every new thing that comes in."

"When I tell him that I've sold the last item in a certain size, he acts like it's my fault because a larger amount hadn't been ordered in the first place."

"I called in once when I was going to be a little late, and you'd have thought I had my hand in the till. He gave me a long lecture right over the phone on how much my being late was going to cost him."

"The first time I wanted to take a day off, I mentioned it to him a week in advance. He bawled me out for not keeping my mind on my work and told me that he couldn't tell how busy the store would be next Thursday. He said I should check with him on Wednesday. And when I checked with him on Wednesday, he gave me another lecture. So I figure that a day off is worth only one lecture."

"Keep my stock neat and clean! The worst offender I have is Mr. Washer. I go to lunch, and if he has waited on a customer while I'm out, it takes me an hour to get my stock back in shape."

"I tried to give him suggestions a couple of times, but he always told me to come back later. He said he was just too busy to listen right then."

Suggestions

"They Never Do Anything Right" can be used to stimulate thinking on the lack of communication. The following questions should be helpful in leading students to realize why Mr. Washer had not reached a meeting of the minds with his employees:

1. How did Mr. Washer feel about the intelligence of his employees?
2. What are some of his complaints about his employees?
3. Does Mr. Washer know why his employees act as they do? For example, does he know why a salesgirl doesn't tell him when she has sold the last item in a certain size?
4. Why did the salesgirl wear the slinky black dress to work?
5. How did she think Mr. Washer felt about her wearing the dress?

6. Was Mr. Washer easy to find when an employee needed information? Was he eager to give information, such as the price for a new item?

7. Did Mr. Washer pass product information on to his salespeople?

8. How did he react when a person called in and notified him that she would be tardy?

9. Did Mr. Washer put himself in "other people's shoes?"

10. How did Mr. Washer feel about an employee's taking a day off?

11. Did Mr. Washer practice what he preached? For example, did he keep the stock neat when the employee was at lunch?

12. How did Mr. Washer react to suggestions? Was he too busy to listen?

13. In your opinion, what is the main reason for the complaints with which Mr. Washer holds against his employees?

14. How could Mr. Washer correct the bad morale which seems to exist because of lack of communications?

15. What is your impression of Mr. Washer's store? For example, is it an orderly store? Do employees seem to know what they are doing? Do you think they are pleasant to customers? Is it the kind of store you would enjoy shopping in? Or would you pass it by? Why?

SUGGESTED INCUBATOR ASSIGNMENTS

You may want to test your supervisors, and yourself, on the measures used for: (1) building morale and (2) handling an employee grievance.

BUILDING MORALE

1. TREAT EACH PERSON AS AN INDIVIDUAL

Recognize his presence.
Call him by name.
Show interest in his problems.
Make best use of his abilities.
Encourage initiative and talent.

2. GIVE DESERVED RECOGNITION

Let individual know how he is doing.
Give credit where due.
Be prompt in giving credit.
Show judgement in giving credit.
Recognize effort, as well as achievement.

3. CORRECT TACTFULLY

Correct in private.
Be objective and impersonal.
Emphasize what is to be done, not what is wrong.
Allow individual to justify himself.
Avoid comparing unfavorably with others.

4. AVOID THE BOSS ATTITUDE

Be friendly, yet business-like.
Say and act "We" instead of "I".
Encourage expression of opinion.
Avoid use of ridicule or sarcasm.
Smile; be enthusiastic.

HANDLING AN EMPLOYEE GRIEVANCE

1. PREVENT DEVELOPMENT OF GRIEVANCE

Spot causes for complaint.
Get rid of irritations.
Anticipate needs.
Explain changes to be put into effect.
Provide channel for expression of opinion.

2. LISTEN TO A GRIEVANCE

Take time to listen.
Listen with an open mind.
Listen with interest and attention.
Listen without interrupting.
Listen to all sides.

3. COME TO A DECISION

Evaluate information objectively, considering the source.
Consider possible solutions in light of effect on all concerned.
Allow individual to make the decision, if possible.
Bring persons with conflicting opinions together, if advisable.
Get help in making decision, if necessary.

4. TAKE ACTION

Present and explain decision.
Make sure individual knows his side has received full consideration.
Get acceptance of decision.
Put decision into effect, promptly.
Take further action if situation is not cleared up.

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